BORDEN

1992
Annual Report

Going To Market As One Company

Corporate Profile

Borden, Inc., founded in 1857, is a worldwide producer of foods, non-food consumer products, and packaging and industrial products. The Company is number one in the world in pasta, wallcoverings, forest products adhesives and vinyl foodwrap films; number one in U.S. dairy; a leader in North American salty snacks; and number one or two (nationally or regionally), with well-known brands in two dozen niche grocery categories.

Contents

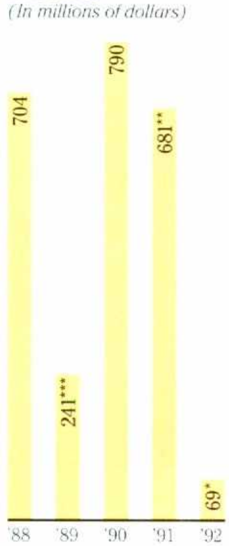
Financial Highlights

(In millions except per share amounts)	1992 *	1991 **
Operating Results		
Net sales	**$7,142.6**	$7,235.1
Net (loss) income	**(439.6)**	294.9
Net (loss) income per common share	**(3.07)**	2.00
Dividends:		
Common share	**1.185**	1.12
Preferred series B share	**1.32**	1.32
Total dividends	**170.4**	165.0
Acquisitions	**20.1**	29.5
Capital expenditures	**286.2**	376.0
Financial Position		
Working capital	**$ 73.9**	$ 507.5
Current ratio	**1.0:1**	1.4:1
Total debt to adjusted total capitalization	**56%**	41%
Shareholders' equity	**$1,051.1**	$1,974.5
Equity per common share	**7.47**	13.39
Common shares outstanding	**140.6**	147.5

** Includes an after-tax restructuring charge of $450.0, or $3.14 per share.*
*** Includes an after-tax reorganization charge of $44.0, or $.30 per share.*

Sales
(In billions of dollars)

Division Operating Income
(In millions of dollars)



** Includes a restructuring charge of $487.8*
*** Includes a reorganization charge of $65.6*
**** Includes a reconfiguration charge of $507.6*

Dividends Per Share
(In dollars)

Letter to Shareholders and Employees

In 1992, your management committed to a complete change in the way Borden runs its businesses and sells its products.

We are moving aggressively to achieve four crucial objectives:

- First, the unification of all Borden food businesses – replacing a decentralized, diverse operating structure and culture almost as old as the Company.
- Second, the revitalization of some of the best brands and trademarks in the food business – made possible by improved product presentation and shelf position, and fully integrated marketing support programs.
- Third, the reshaping of Borden's underperforming North American snack business, chiefly through investment in proven brands and the divestment of unprofitable ones, so snacks can be a strong contributor to profitability once again.
- Fourth, the continued drastic reduction of operating costs to maximize the effect of the market gains Borden must, and will, make.

To cover the more than 100 company-wide programs we identified as necessary to achieve these objectives, we established in the 1992 third quarter a restructuring reserve of $450 million after tax. The reserve will allow Borden to move forward to implement these programs. They are far ranging and involve every Borden business and operation.

1992 Results

The year 1992 brought the full impact of recession to the consumer and the retailer. Price wars expanded from the supermarket snack shelf to the dairy and cheese case. Promotional pricing in North American pasta, always aggressive, reached new levels of intensity.

Internationally, Borden's large grocery and snack operations were hurt by a severe recession in Canada. As the year progressed, the worldwide economic slowdown was increasingly felt in Borden food businesses in Europe and the Pacific Rim.

Borden's non-food businesses held up better, nearly matching prior year income on the strength of our worldwide building adhesives and resins.

Our 1992 results showed a net loss of $439.6 million, or $3.07 per share, including the restructuring charge and cumulative charges for the adoption (required of all companies) of new accounting standards for nonpension postretirement benefits and deferred income taxes. This compares with a 1991 net income of $294.9 million, or $2.00 per share, which included an after-tax reorganization and severance charge of $44.0 million, or $0.30 per share.

Excluding all of these charges, our 1992 income decreased by $99.5 million, or 29.4%; earnings per share fell $0.63, or 27.4%.

Drastic Remedy Required

Despite recession and unprecedented levels of price competition, my view of Borden operating results – and those since the fourth quarter of 1990 when we last reported improved earnings – can be expressed in two words: totally unacceptable.

In my opinion, the reasons for Borden's lack of performance in recent years are fundamental and recurring. They require drastic remedy.

The retailers who make up Borden's primary customer base have changed both in composition and operation. Borden's marketing has not. Today's retailers demand a highly focused, integrated "one-company" approach. Yet, until recently, Borden operated eight sales and seven separate distribution organizations within the Company. In one instance, we had as many as 28 people representing various Borden brands calling on a single nationwide retailer.

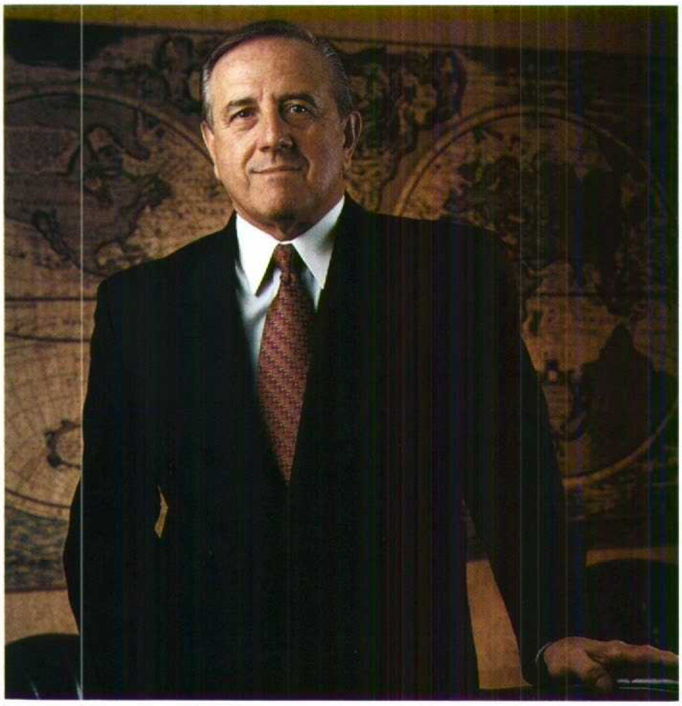
Shift in Emphasis

In addition, price competition is at extreme levels in our businesses. Dollars saved from our much improved cost structure are increasingly absorbed in discount pricing and endless battles to defend market share. To get off this treadmill of escalating promotional spending and narrowing margins requires a total shift in emphasis throughout Borden's food businesses from market share to profitability. That means rebuilding brand equity and improving product quality to restore margins, carefully controlling promotional spending and focusing our resources in the marketplace.

Finally, there are those losing operations in North American snacks, which continue to drain our earnings, quarter after quarter. In domestic snacks, Borden has been doing too many things in too many places. In 1993, we will leave those markets, which continue to hurt operating income, receive an inordinate amount of our resources and offer little prospect of reasonable return. We will concentrate our resources on our winners, on our proven snack franchises and brands.

Thanks to considerable work throughout the Borden organization in 1991 and 1992, we now have a blueprint

for the future. Our organizing principle going forward will be to keep marketing decisions in the hands of our people closest to our customers – while putting Borden's full corporate resources to work in carrying out those decisions and in accounting for results.



A. S. D'Amato, *Chairman and Chief Executive Officer*

Elements of Change

These are some of the main elements of change that you will see at Borden:

• Consolidation of all Borden domestic food businesses into a single division. This will integrate what is today a complex of four separate operating units: Grocery Products, Pasta, Snacks and Dairy.

• Unification of Borden's North American consumer products sales and distribution. Borden will emphasize what our customers tell us they want: a single point of contact at Borden representing the full range of Borden products – a product range matched by few competitors.

• Immediate investment in, and continuing emphasis on, brand equity, packaging and product presentation.

In 1993, after more than 20 years of semi-retirement, Elsie will go back to work full-time on television, selling Borden dairy products. Our campaigns for these products will be totally integrated, backed by advertising, public relations and new packaging, and include nationwide retail programs featuring new products. Also in 1993, we will bring forward entirely new marketing campaigns for our North American pasta and snacks.

• Centralized control of advertising, promotion and product publicity. The market strategy and market message at Borden will continue to be determined by brand managers responsible for Borden products. Execution, coordination, agency compensation and evaluation of results will be managed at the companywide level.

• Centralization of all systems for information management. In 1992, we began the replacement of Borden's five distinct North American information systems with a common system under the direction of a new chief information officer. Chief among our information projects is development of new companywide systems to measure, evaluate and make more productive all forms of promotional spending.

• Complete consolidation of administration, logistics and purchasing. New economies and efficiencies of scale will further reduce Borden's cost structure from levels achieved in our now completed, 2 1/2-year reconfiguration of plant and distribution.

With a total change in organization comes a change in people. In the 15 months since I became your Chief Executive Officer, there have been more changes in senior Borden management than at any time in my 33 years with the Company. More will follow.

Going to market as one company is the theme of Borden's 1992 annual report. The phrase expresses the essence of what is the largest organizational and cultural change at Borden in decades. The marketplace demands it.

I am confident that renewed earnings growth and increased shareholder value will result.

Sincerely,

A. S. D'Amato

A. S. D'Amato
Chairman and Chief Executive Officer
February 3, 1993

Borden at a Glance

1992 Sales*

Pasta and Sauce	Snacks	Niche Grocery
$885	**$1,253**	**$1,254**
12%	**18%**	**18%**

** In millions, excludes $41 million from divested operations.*

Pasta and Sauce

Borden is the world's largest pasta company. Its flagship *Creamette* brand is America's best-selling pasta and the only true national pasta brand. Its *Catelli* brand leads in Canada; *Adria* is number one in Brazil; and the *Albadoro* and *Monder* brands in Italy are regional favorites. Including its coast-to-coast family of regional brands, Borden accounts for nearly one-third of North American retail branded dry pasta dollar sales. It also is the only major North American pasta company with a full line of pasta sauces, led by *Classico* – the best-selling U.S. and Canadian premium pasta sauce.

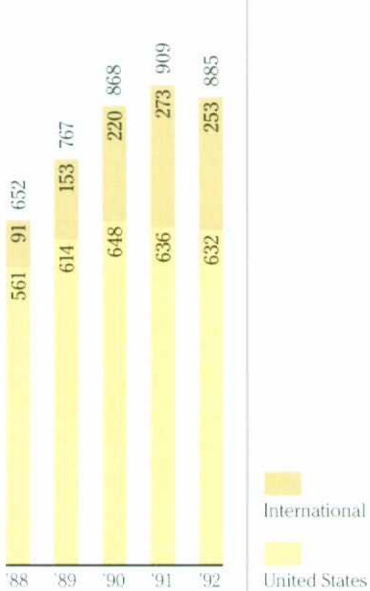
Snacks

Borden is a leader in North American snacks. The business is built around a network of strong regional brand franchises across the United States and into Canada, led by Wise Foods on the East Coast – its oldest and largest snack unit. It also makes a growing family of national brands, including a new *Borden* brand. Internationally, Borden is Germany's leading baker and retailer of sweet baked snacks and specialty breads and has established similar interests elsewhere in Central Europe.

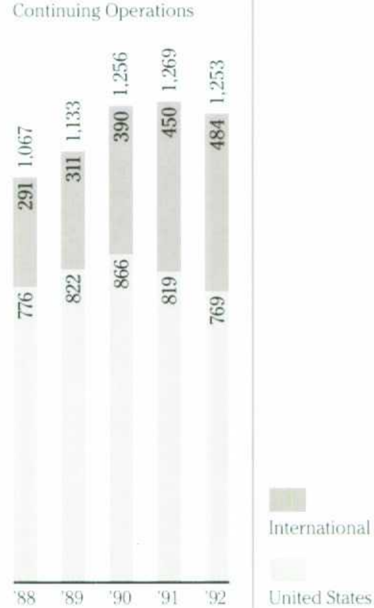
Niche Grocery

Borden is the leader in a wide range of small-to-medium-sized grocery products that are among the best-known brands in the U.S. food industry – *Cracker Jack* candied popcorn, *Eagle Brand* sweetened condensed milk, *ReaLemon* lemon juice, *Wyler's* bouillon and *Snow's* clam products to name just a few. Together, they provide Borden with a major presence in North American supermarkets. Borden also is the U.S. foodservice industry's leading supplier of individual-serving products and a major supplier of bulk-size items. Overseas, it has a growing European grocery products business, including a joint interest in Spain's number one soup and bouillon producer.

Net Sales
(In millions of dollars)



Net Sales
(In millions of dollars)
Continuing Operations



Net Sales
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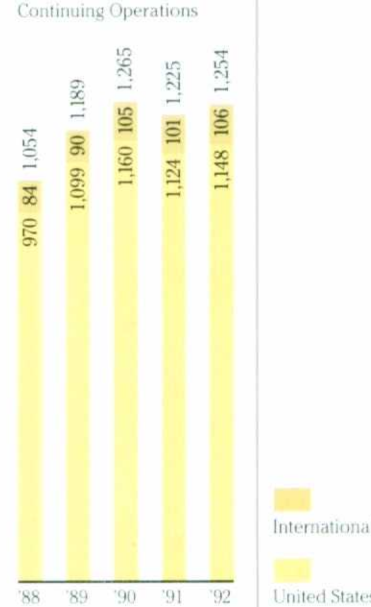
Continuing Operations



Dairy	Non-Food Consumer	Films and Adhesives
$1,792	$613	$1,305
25%	9%	18%

Dairy

Borden is America's premier dairy company. Its *Borden*, *Meadow Gold*, *Viva* and *Lite-line* brands are market leaders in most of their regions in fluid milk, ice cream and other frozen desserts, and cultured products, ranging from regular to lowfat to nonfat. Its fluid milk and cultured products businesses are concentrated in the South and West, while ice cream and frozen desserts are distributed across most of the nation. Overseas, *KLIM* is the world's number-two-selling brand of milk powder. Borden also has dairy operations in Japan and Central America.

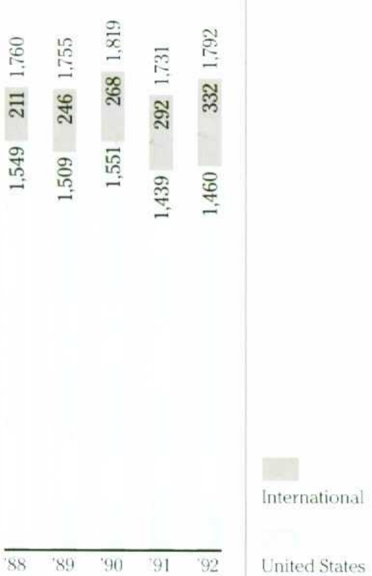
Non-Food Consumer

Borden is the world's largest wallcovering company and number one in North American consumer adhesives. Its *Wall-Tex*, *Sunworthy*, *Borden Home*, *Borges* and *Crown* brands are the best-known wallcoverings in North America and the United Kingdom and hold a strong position in Germany. Borden's business also includes laminated decorative overlays used for interiors and furniture manufacture. Its *Elmer's* and *Krazy Glue* brands are favorites among consumers in household adhesives, home improvement products and instant glues.

Films and Adhesives

Borden is the world leader in forest products adhesives (used in making plywood, particleboard and other wood products) and pioneered industrial adhesives more than 60 years ago. The Company ranks number one in U.S. vinyl foodwrap films and is a leader in many of its European and Far Eastern plastic packaging businesses. Borden also has strong positions in foundry and other industrial resins, high-technology coatings, printing inks and specialty adhesives.

Net Sales
(In millions of dollars)
Continuing Operations



Net Sales
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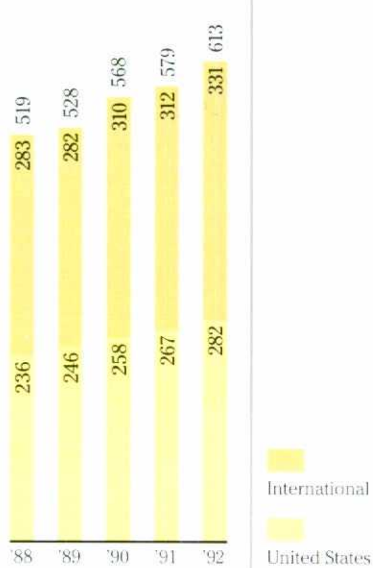
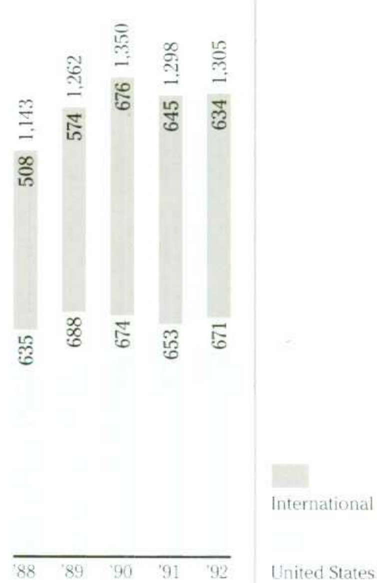
Continuing Operations



Net Sales
(In millions of dollars)
Continuing Operations



Going to Market as One Company

Like the retail industry it serves, Borden is undergoing rapid and unprecedented change. The Company is completely revamping the way it manages, presents, sells and delivers its products.

Borden is unifying sales and marketing; unlocking underutilized brand equity; placing a total emphasis on profitability; and taking a one-company approach to advertising and promotion, distribution, purchasing and information management.

Unifying Sales and Marketing

Borden's goal is to sell more products profitably in more places in a dramatically changing marketplace. Unifying sales and marketing is the single most important project to achieve this goal.

Borden traditionally has gone to market as a group of separate and distinct businesses – without coordinating its efforts to common customers.

At a time when many major food retailers are moving rapidly to centralized buying, Borden has had eight separate sales organizations, seven distribution operations and five distinct information systems in North America alone.

The leading national retail chains want to deal with Borden as one company rather than as a set of separate businesses. This requires Borden to take an integrated approach to sales, marketing and distribution, and pull together all of its efforts as one company.

Borden did exactly that in 1992, when a large retail customer asked to coordinate through one Borden person, rather than deal with up to 28 people as it had in the past.

A companywide team was formed to serve this huge national retailer as a single strategic supplier. The result was a substantial increase in overall sales of Borden products, including significant new business.

That success now serves as a model for integrated sales and marketing to other major retailers, and Borden is moving quickly to act on these opportunities.

Benefiting From a One-Company Approach

Borden also will benefit from taking a one-company approach in advertising and promotion, distribution, purchasing and information management.

In advertising and promotion, Borden is consolidating its spending in fewer agencies and firms, and negotiating new arrangements in the way it buys and produces media advertising and sales promotion materials.

Until recently, Borden worked with 19 separate advertising agencies and more than 100 sales promotion firms in North America alone. The first to be consolidated in late 1992 were dairy and pasta advertising, from four agencies to two principal firms. Further consolidations are planned in 1993. As a bigger client to fewer firms, Borden will receive superior creative work and better marketing support.

In promoting to supermarkets and other retailers, Borden wants to get

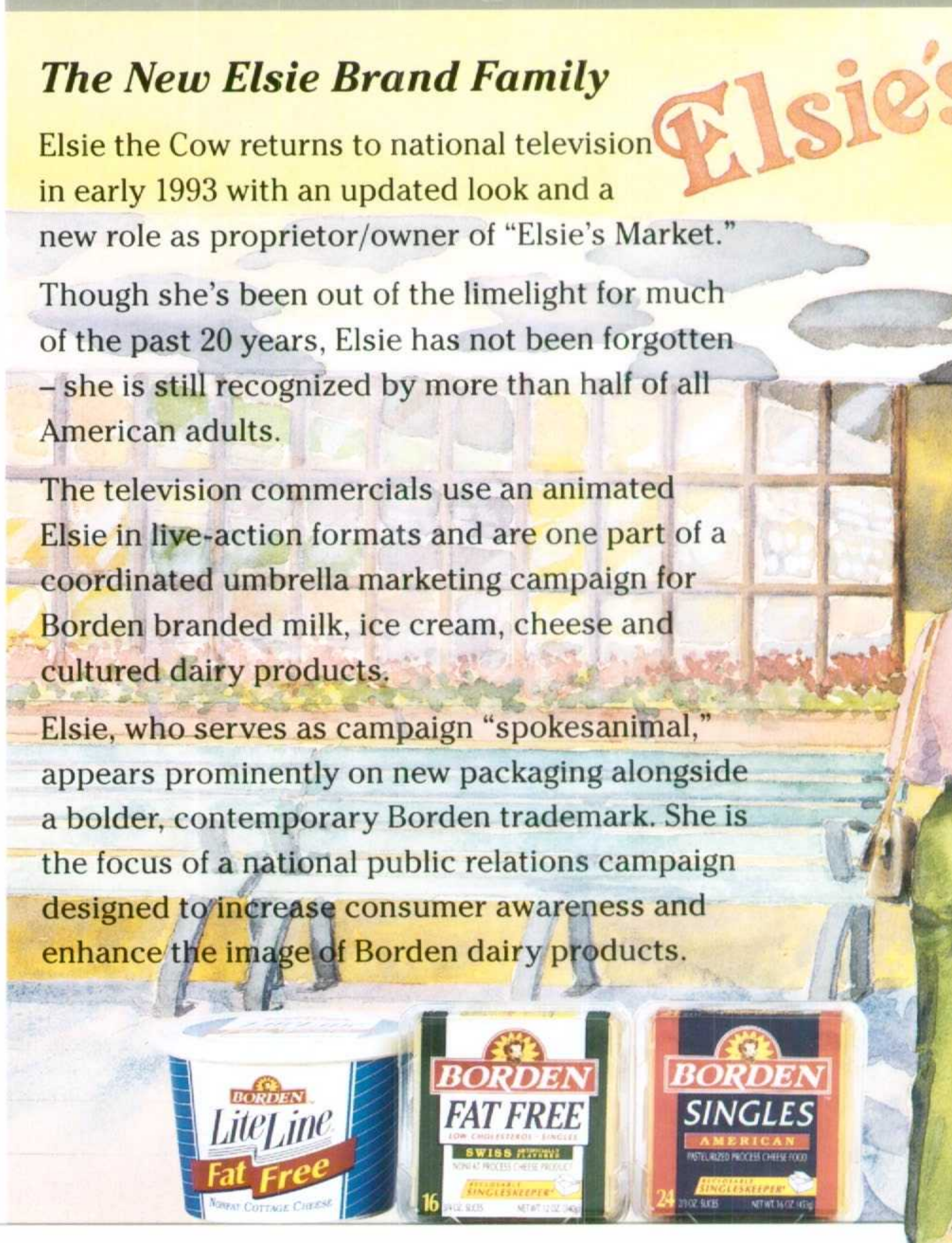
The New Elsie Brand Family

Elsie the Cow returns to national television in early 1993 with an updated look and a new role as proprietor/owner of "Elsie's Market."

Though she's been out of the limelight for much of the past 20 years, Elsie has not been forgotten – she is still recognized by more than half of all American adults.

The television commercials use an animated Elsie in live-action formats and are one part of a coordinated umbrella marketing campaign for Borden branded milk, ice cream, cheese and cultured dairy products.

Elsie, who serves as campaign "spokesanimal," appears prominently on new packaging alongside a bolder, contemporary Borden trademark. She is the focus of a national public relations campaign designed to increase consumer awareness and enhance the image of Borden dairy products.



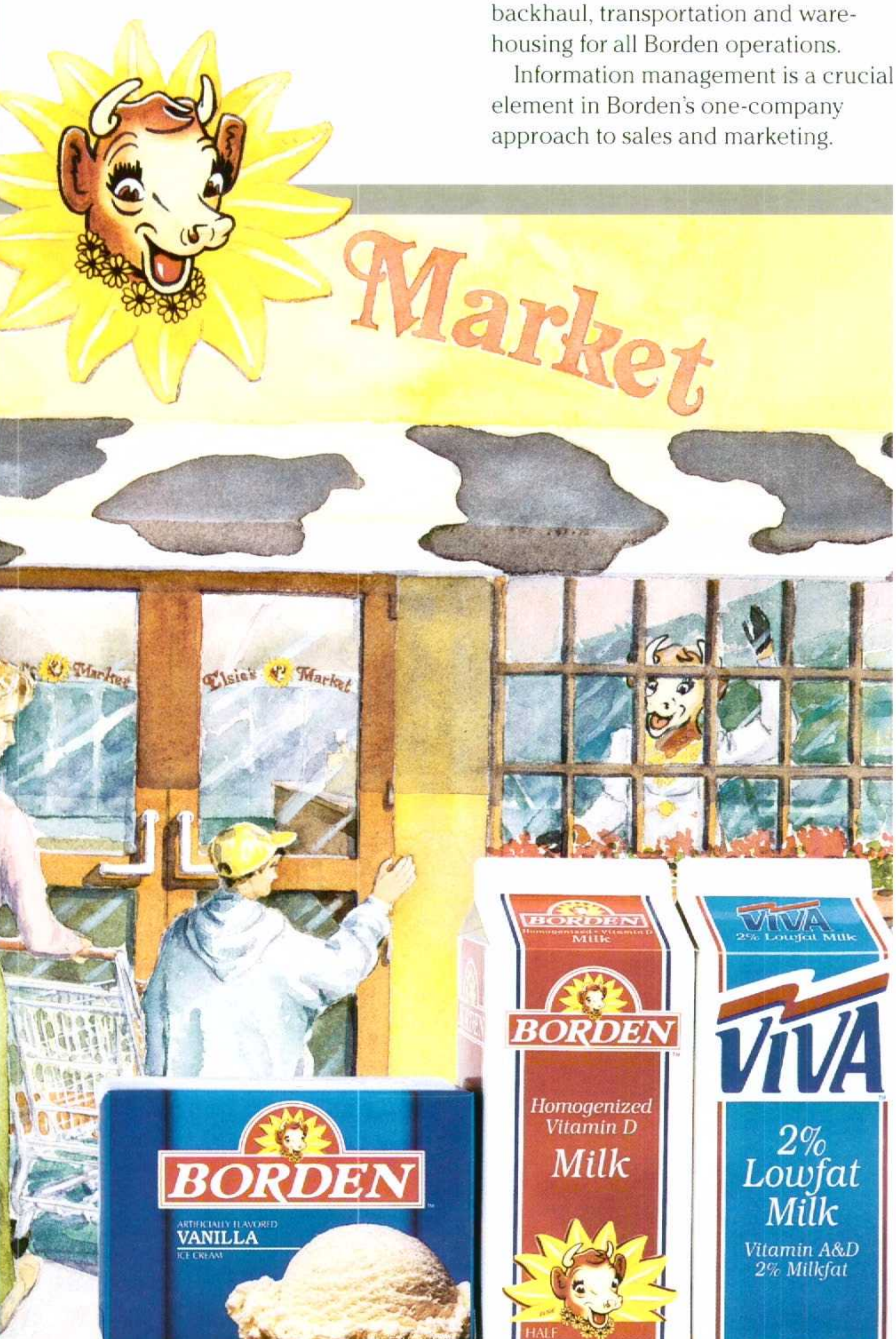
greater value and performance from its investment. New systems for measuring that performance and improving accountability are being tested in Borden's pasta business for refinement and application companywide.

There also are major savings opportunities in purchasing product ingredients, plant operating materials and such items as corrugated packaging and computer paper.

In distribution, Borden is moving to integrate its seven separate operations into a single system. It will consolidate such functions as customer service, accounts receivable and invoicing that are common to all groups.

Borden has begun to consolidate warehouse delivery systems for all dry grocery products, including pasta and foodservice, and to establish a one-company management of systems, backhaul, transportation and warehousing for all Borden operations.

Information management is a crucial element in Borden's one-company approach to sales and marketing.



Borden will replace information systems unique to each business with an integrated Borden system. The new system will meet the growing demand for comprehensive sales information on all Borden products and yet provides flexibility to meet the special needs of each business.

Unlocking Brand Equity

Borden is rebuilding the equity in its three biggest, most underutilized assets: the Borden name, the Borden slogan and Elsie the Cow.

Recent research shows that the Borden name has outstanding recognition nationwide. Virtually all consumers sampled nationally recognize the name.

The Borden slogan – "If it's Borden, it's got to be good" – continues to represent quality and trust to millions of American consumers. More than seven of every 10 people in a national sample were aware of the slogan.

And, despite years of underuse, Borden's 56-year-old Elsie the Cow trademark is still recognized by more than one of every two American adults.

New Initiatives for 1993

In the past, Borden's separate, decentralized approach to its businesses provided little reason to capitalize on the Borden name, slogan and Elsie. As a result, Borden missed enormous opportunities to reach younger consumers with these still powerful marketing tools.

Major new initiatives are under way to put all three back to work behind groups of products. New television advertising will carry the Borden slogan and display a family of Borden products. The Borden name also is being extended beyond dairy, starting with a new *Borden* snacks line.

Elsie herself has had a makeover, giving her a softer, more contemporary

look. She is the focus of an umbrella marketing campaign starting in March 1993 for a full range of Borden dairy products – milk, cheese, ice cream, cultured products and *Eagle Brand* sweetened condensed milk.

The campaign includes a mix of new advertising, packaging and public relations, highlighted by Elsie's first national television and print advertising appearances since the 1970s.

The television commercials feature an animated Elsie, husband Elmer, and kids Beauregard ("Beau") and Beulah ("Bea"). They focus on the quality of Borden dairy products and link each product to fresh, wholesome *Borden* milk.

Borden also will present its dairy products in more contemporary packaging with a unified Borden look. The packaging prominently features Elsie, makes dramatic use of color, and provides a clean, modern and appetizing look that ties the entire line together.

To complement the new advertising and packaging, Borden is gearing up a full-scale national public relations campaign. It will help to re-establish Borden as a flagship brand and to turn a new, younger generation of consumers into loyal Borden customers.

Placing A Total Emphasis on Profitability

Today's emphasis at Borden is profitability, rather than business size or overall market share.

The Company lost competitive advantage in the past by doing too many things, in too many places, under too many different names. Borden is now focusing its resources and strengths on brands and in markets where it has a clear competitive advantage.

In pasta, for example, Borden is uniquely leveraged to take full advantage of the growing pasta category.

Borden is the world's largest pasta maker and the low-cost producer in North America. It is the only company with a national pasta brand, *Creamette*; the only company with a coast-to-coast family of strong regional pasta brands; and the only company that makes and markets a full line of pasta sauces, led by *Classico*, the best-selling premium sauce brand in North America.

Borden holds an edge on its competitors with the ability to market its own pasta and sauces side by side, across all trade channels, with the largest direct sales force in the pasta industry. It also enjoys a strong competitive advantage in advertising and promotion, outspending its nearest pasta rival more than three to one in measured media advertising.

Finally, Borden's streamlined network of strategically located, state-of-the-art pasta hyperplants gives an edge in low-cost production and minimizes shipping costs.

Best of all, pasta consumption is expected to continue upwards as more

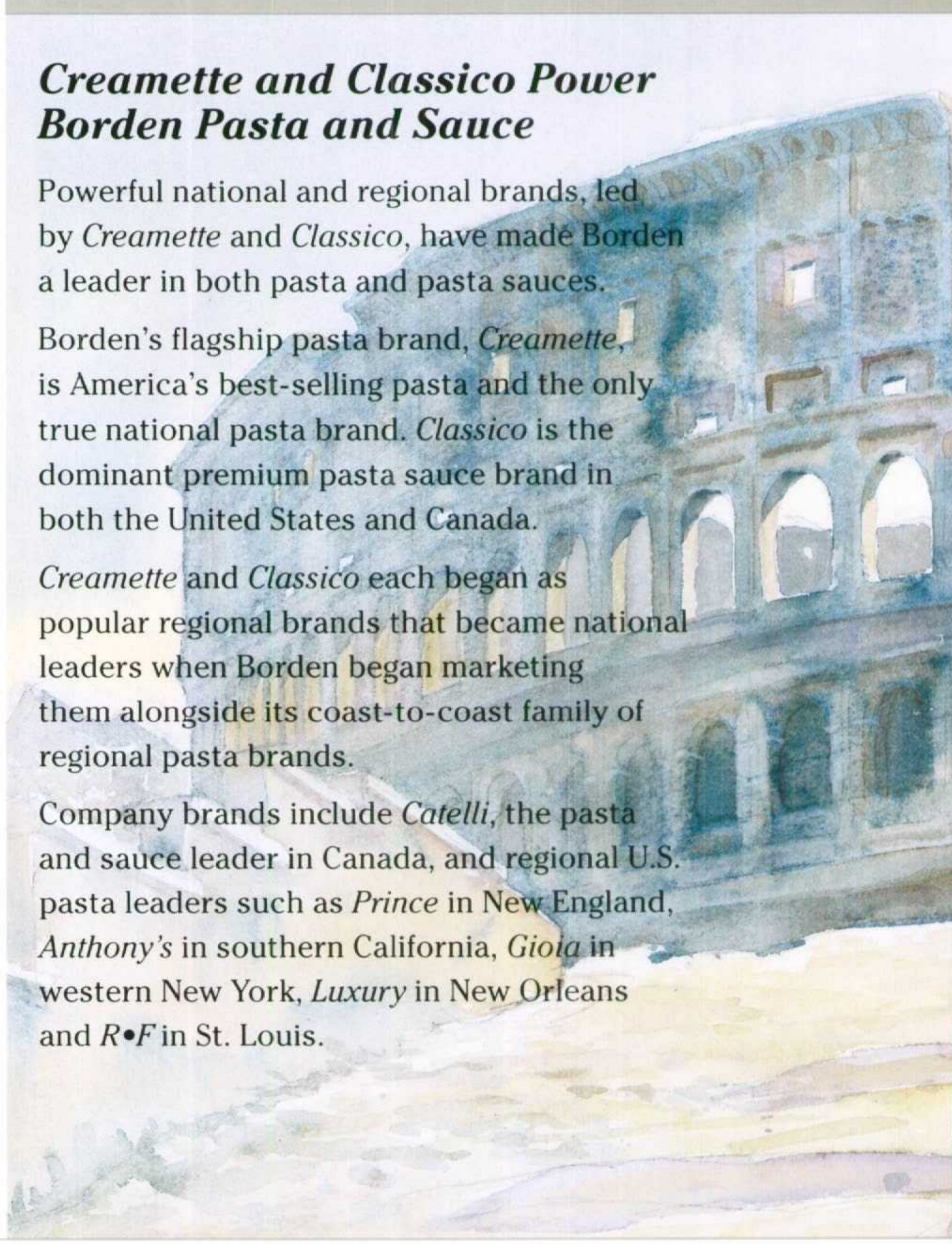
Creamette and Classico Power Borden Pasta and Sauce

Powerful national and regional brands, led by *Creamette* and *Classico*, have made Borden a leader in both pasta and pasta sauces.

Borden's flagship pasta brand, *Creamette*, is America's best-selling pasta and the only true national pasta brand. *Classico* is the dominant premium pasta sauce brand in both the United States and Canada.

Creamette and *Classico* each began as popular regional brands that became national leaders when Borden began marketing them alongside its coast-to-coast family of regional pasta brands.

Company brands include *Catelli*, the pasta and sauce leader in Canada, and regional U.S. pasta leaders such as *Prince* in New England, *Anthony's* in southern California, *Gioia* in western New York, *Luxury* in New Orleans and *R•F* in St. Louis.



Americans adopt the new Food Guide Pyramid developed by the U.S. Department of Agriculture.

The Pyramid was developed to educate consumers on the right foods to eat for a healthy, balanced diet. At the base of the Pyramid are grain-based foods such as pasta.

Pasta is recommended because it offers outstanding nutritional value – high in complex carbohydrates, virtually no fat or cholesterol, and a source of vegetable fiber and protein.

Improving Snacks Profitability
In North American snacks, Borden will focus on products, market segments and distribution channels that have real, long-term opportunity for profit. The Company is more interested in profitability than market share.

Borden will defend market share in its primary and profitable snack markets, where it has strong, well-established franchises and distribution, solid brand equity or other advantages recognized by consumers.

But in marginal snack markets, where profits have been hardest hit by competition, Borden is looking for competitive advantage – through co-packing, creative distribution, manufacturing and business alliances, for example. If profits do not improve, Borden will exit these markets and invest its resources elsewhere.

Borden Brand Snacks Unveiled
Borden is also taking costs out of its snack business by reducing the number of snack items it sells.

Until late 1992, about 3,200 snack items, counting all of the different products, flavors and sizes, were marketed under nearly two dozen brands. Over 40% of the total was eliminated by early 1993, promising major savings in costs for manufacturing, packaging, inventory and distribution.

To maintain profitable sales volume, many of the lower volume snack items, once sold under numerous brand names, are being consolidated under a single new brand – *Borden*.

Snacking Turtles, *Snack Mix* and *Ringz* were launched under the *Borden* brand in late 1992 across the central and western United States. A full line of *Borden* snacks, including potato chips, corn chips, tortilla chips, pretzels and popcorn, will be test marketed during the first half of 1993.

Focus on European Sweet Snacks
In Europe, Borden is focusing on promising growth opportunities in sweet snacks. (The Company exited from the highly competitive salty snacks category in 1992 with the sale of its U.K. and Spanish units.)

Sales in Borden's European sweet snacks business have doubled since 1987 and are expected to grow to $600 million annually by 1996. Borden is already a leader in German sweet snacks and is rapidly expanding its presence elsewhere in Central Europe.

The flagship Wilhelm Weber GmbH sweet snacks unit is one of Germany's largest commercial bakers, selling packaged products under the *Weber*, *Jaus* and *Golden Toast* brand names through supermarkets and other retail outlets across the country.

Weber also manages six German regional bakery chains with over 300 retail outlets nationwide and has a joint interest in retail bakeries in Hungary.

To meet the demand for quality baked goods, Borden acquired a large commercial bakery in eastern Germany in 1991 and expanded it into a modern sweet snacks hyperplant.

Building KLIM Sales Worldwide

Borden is moving selectively elsewhere overseas – building on existing strengths and longstanding brand franchises, such as *KLIM* milk powder.

The *KLIM* brand was instrumental in getting Borden started overseas in the 1920s and is now Borden's most global brand. Sold in over 85 countries, *KLIM* is among the world's most popular brands of milk powder.

Borden is building on *KLIM* brand strengths through line extensions that take advantage of improved living standards and increased consumer sophistication in many of its markets and by adding to the list of countries where *KLIM* milk powder is sold.

The first *KLIM* line extension was *KLIM Lite-line* lowfat milk powder launched in 1991. *KLIM Lite-line* initially was sold in the Far East, where it quickly became the best-selling brand of lowfat milk powder, and is now expanding into the Middle East and Central America.

KLIM Super Kid, a specially fortified whole milk powder for children from the ages of three to seven, followed in 1992 and has done well in its Far Eastern introductory markets.

Borden is expanding its presence in China. The Company acquired a joint interest in a Chinese milk powder plant in 1992 and is doubling it in size and upgrading it to produce *KLIM* brand milk powder.

SQP Unites Employees Worldwide

Since 1988, the Borden SQP (Safety, Quality and Performance) program has united employees across the company toward achieving a common objective – to be the safest and lowest-cost producer of high quality products.

From a pilot program in 45 U.S. dairy plants, SQP has grown to include 200 Borden locations with over 33,000 participating employees worldwide. It has markedly improved productivity and quality, and contributed millions of dollars in cost improvements. Most important, SQP has led to a safer workplace, resulting in a 30% reduction in the frequency of recordable injuries and a 22% drop in preventable vehicle accidents.

The program works by setting specific plant SQP goals and enlisting employee input in achieving them. Employees are empowered by making suggestions for improvements and working together with plant management on solving problems. The employees then have an opportunity to receive cash and non-cash awards for achieving their goals.

As further incentive, an Options for Excellence Program was begun in 1991, which awards options for Borden stock to employees who make an exceptional contribution to the SQP program, in addition to other gain-sharing benefits.

Since 1991, over 1,000 employees at 14 plants and nearly 200 additional individuals and SQP team members at other locations have been awarded Options for Excellence.

Among the plants, teams and employees who were recognized for their SQP achievements are:

- Employees at the *ReaLemon* plant in Waterloo, New York, who exceeded their plant goals with perfect scores in all three SQP categories, and at the *Eagle Brand* plant in Wellsboro, Pennsylvania, who have surpassed their SQP targets far beyond expectations year after year;
- SQP teams at the Acme Resin plant in Oak Creek, Wisconsin, whose suggestions reduced waste and costs while increasing plant output and product quality; and
- Tom Graham, a Vernon Plastics employee in Haverhill, Massachusetts, and Steve Nash, a Meadow Gold ice cream plant employee in Nashville, Tennessee, whose suggestions substantially cut costs by reducing product loss and eliminating waste.

Cracker Jack Celebrates a Century

Cracker Jack caramel popcorn and peanuts was first sold in 1893 to visitors at the World Columbian Exposition in Chicago. Ever since, _Cracker Jack's_ original taste has made it a snack food favorite. Now, _Cracker Jack_ fans have a choice of two great flavors – original caramel and new butter toffee. Borden is celebrating the 100th birthday of _Cracker Jack_ in 1993, with a year-long schedule of special events and promotions. Many of them are linked to baseball, where _Cracker Jack_ has been a tradition since 1908.

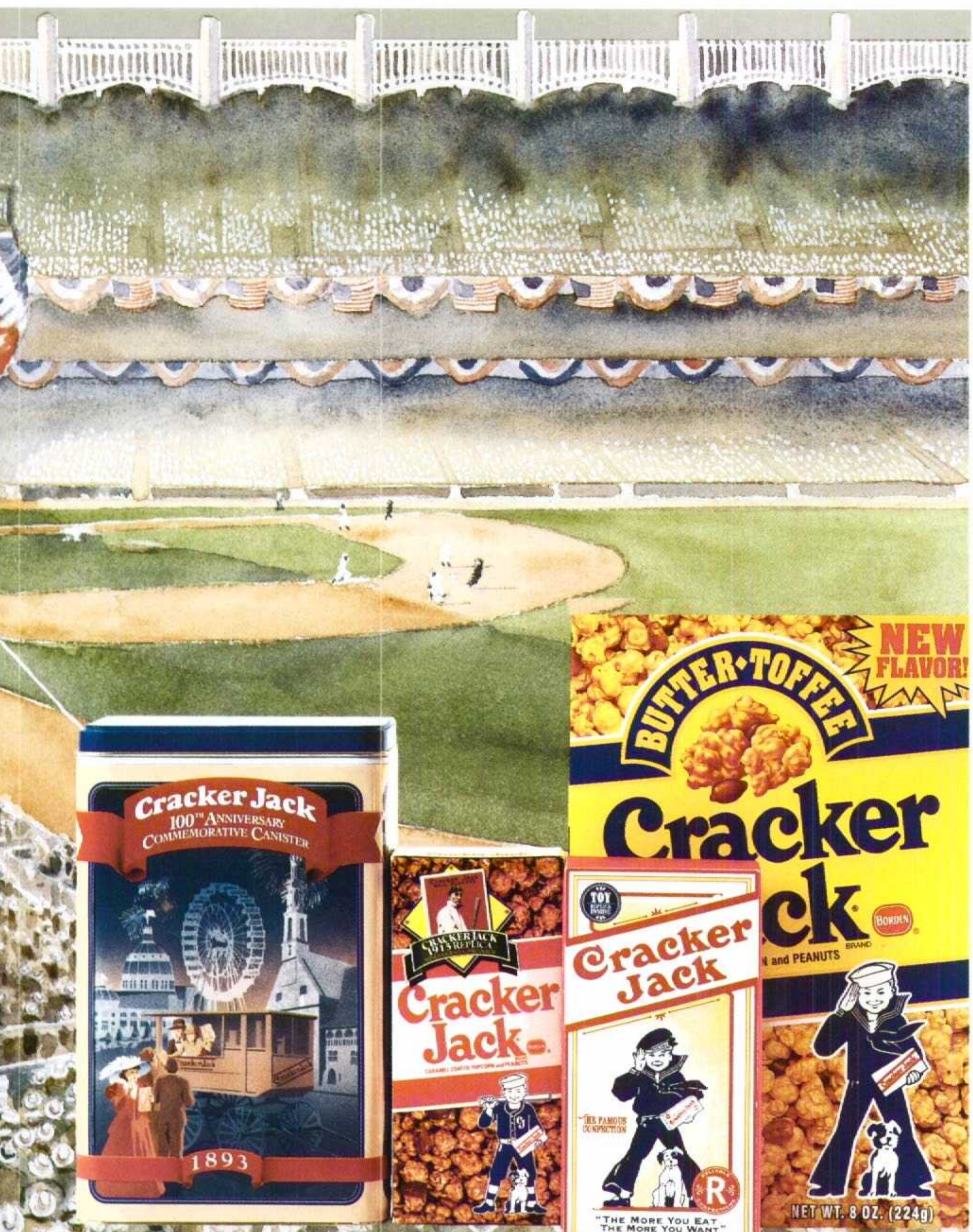
Review of 1992

Grocery Products

This reporting unit includes North American pasta and sauce, niche grocery products, refrigerated cheese products and foodservice.

In 1992, these businesses reported a 56.6% drop in operating income to $119.3 million, on a sales decline of 2.3% to $1.87 billion. Excluding the 1992 charge of $112.3 million and the 1991 charge of $23.8 million, operating income declined 22.4%.

The income decline reflected increased competition, and higher marketing expenses and raw material costs in cheese and pasta, as well as weaker performance in Canadian operations, foodservice and clam products. These more than offset higher sales and income posted in several key niche grocery products.



Highlights

Pasta and Sauce

U.S. pasta and sauce sales were off slightly. Income was down due to higher wheat costs, which were not fully recovered in selling prices due to timing, and higher marketing and advertising expenditures. Canadian sales and income declined due to a severely depressed economy.

- Sales of *Classico*, the number one U.S. premium pasta sauce, were up strongly in 1992.
- *Classico* sales were supported by television advertising and direct mail marketing in key markets. The program will be extended to additional markets in 1993.
- *Classico* results also benefited from the introduction of a seventh flavor, *di Sorrento* with onion and garlic, and full-year sales of *Classico di Parma* four cheese sauce and *Classico di Salerno* with sweet peppers and onions.
- Sales gains were posted by *Creamette*, Borden's flagship pasta brand and America's best-selling pasta.
- *Catelli Healthy Harvest* pasta and sauces are slated for an early 1993 introduction in Canada. The line features whole wheat and other pastas with added fiber and protein, and pasta sauces that are low in fat and sodium.
- Full startup was achieved at the St. Louis pasta hyperplant – North America's largest and one of the world's most advanced pasta plants.
- New pasta lines were added at hyperplants in Phoenix, Arizona; Lowell, Massachusetts; and Warren, Michigan; and an expansion of a Montreal, Quebec, pasta and sauce hyperplant was completed.
- Two small pasta plants at Winnipeg, Manitoba, and Harahan, Louisiana, were closed.

Niche Grocery

Sales and income gains were posted by *Eagle Brand* sweetened condensed milk, *Cracker Jack* candied popcorn, and *Wyler's* and *Steero* bouillon. Income was up in *ReaLemon* juice, *Cremora* and *Cremora Lite* non-dairy creamers, *Mrs. Grass* dry soups and *Borden* egg nog.

- The national rollout of a new *Cracker Jack* butter toffee flavor was completed in 1992.
- A new easy-pour lid for *Cremora* and *Cremora Lite* was introduced.
- Distribution was expanded for *Bama* jams and jellies, and a reusable

16-ounce glass tumbler package was introduced.

• *Mrs. Grass* and *Soup Starter* dry soup mixes outperformed category growth with help from new *Mrs. Grass* microwavable single-serve and *Soup Starter* quick-cook soups.

• *Snow's* and *Doxsee* clam products achieved record market share levels. Income was down due mainly to startup costs at a new production facility.

Refrigerated Products

Cheese income was down in 1992, due to increased bulk cheese costs and higher trade and consumer promotional spending.

• The national rollout of the *Singleskeeper* recyclable/reclosable package for *Borden* single-wrap cheese slices was completed.

• Outstanding consumer response to the *Singleskeeper* package helped Borden maintain its number two position in branded cheese.

• *Borden Fat Free* cheese slices in American, Sharp Cheddar and Swiss flavors were launched nationally in June.

Foodservice

Foodservice sales were up slightly in 1992, excluding the effect of divesting MCP Foods. Income declined due to the divestment, a weak economy and foodservice market, and inefficiencies associated with hyperplant startups.

• Foodservice production was consolidated into a three hyperplant network to improve operating efficiency.

• Foodservice sales and marketing were centralized to improve customer response and service.

• A Portland, Oregon, foodservice plant was sold in September along with a non-core margarine business.

• *Lite-line* lowfat salad dressings and sugar substitutes were introduced.

Snacks and International Consumer Products

This division is principally responsible for Borden's North American salty snacks, European sweet snacks and other food products outside the United States and Canada.

The division had an operating loss of \$153.6 million in 1992 on a 3.9% decline in sales to \$1.87 billion. Excluding the 1992 charge of \$254.0 million and the 1991 charge of \$24.2 million, operating income declined 35.1%.

Operating income was down due largely to continued intense price competition and high promotional spending in North American snacks and slightly lower income from most international operations.

The sales decline reflected divestment of Sooner Snacks Limited in the United Kingdom in February 1992 and the Crecspan snacks business in Spain in June 1992. Excluding these divestments, the division posted slightly higher sales in 1992.

Highlights

North American Snacks

Sales and income were down across all regions as aggressive price discounting and promotional spending continued industrywide.

To reduce overhead and other costs:

• The Western and Central Snacks Group were merged into one;

• The number of snack line items was reduced by over 40%; and

• Several snack plants will close and production will shift to more efficient facilities in 1993.

• A *Borden* brand snack line was launched in late 1992 with three items:

– *Snacking Turtles*, turtle-shaped pretzels;

– *Snack Mix*, a combination of pretzels, wheat chips, and corn and cheese snack shapes in original and ranch flavors; and

– *Ringz*, ring-shaped corn snacks in red hot and onion flavors.

• *Borden* brand potato chips, corn chips, tortilla chips, pretzels and popcorn are slated for test marketing during the first half of 1993.

Other snack products launched in 1992 were:

• *Graingers* multigrain chips, in original, French onion and golden cheddar flavors, introduced in June 1992 across the central United States, marking Borden's entry into the fast-growing multigrain snack category.

• *Doodle O's*, an extension of the popular *Cheez Doodles* brand of corn snacks. A second line extension,

Borden Snacks Center on Regional Strengths

Borden's North American snacks business is built around a framework of strong, well-established regional brands with reputations for high quality. Among them are *Wise*, Borden's oldest and largest snack unit, acquired in 1964 and now in its 71st year in the East; *Jays*, for most of the past 50 years the best-selling potato chip in the Chicago area; *Humpty Dumpty*, a leading snack brand among consumers in eastern Canada; and *Guy's*, a favorite with snackers in the central United States since 1938.

Doodle Twisters, is scheduled for an early 1993 introduction.

- *La Famous* salsa and Mexican cheese dips.
- *Wise Ridgies* rippled potato chips in bolder brand packaging.

International Foods
Lower sales in 1992 largely reflected two European salty snack divestments. Excluding these divestments, the group posted significantly higher international sales in 1992. Income gains in European sweet snacks and Latin American operations were offset by declines in international milk powder, Japan dairy, European model products and Italian pasta operations.

European Snacks
With the sale of the Sooner Snacks and Crecspan units, Borden exited completely from the highly competitive European salty snacks business.

Borden focused on further expanding its sweet baked snacks and specialty breads business in Germany and Central Europe, which posted significantly higher sales and income in 1992.

- A sixth retail German bakery chain was acquired in October 1992. Kamps GmbH operates a chain of 23 retail outlets serving the Dusseldorf area. Kamps will be expanded into the nearby cities of Cologne, Duisburg, Essen and Dortmund.
- Sales were expanded in eastern Germany with the addition of delivery routes for packaged baked goods and the growth of the *Lecker Backer* and *Nur Hier* retail chains. More outlets are planned for 1993.
- Borden's joint venture in Hungary opened four retail stores in Budapest and has plans for a fifth.

International Milk Powder
KLIM milk powder posted higher sales but lower income in 1992.

- *KLIM Lite-line* lowfat milk powder, successfully launched in several Far Eastern markets in 1991, was rolled out to eight other key markets in the Middle East and Central America in 1992.
- In its Far Eastern markets, *KLIM Lite-line* is the best-selling brand of lowfat milk powder.
- *KLIM Super Kid* specially fortified whole milk powder for children three to seven was introduced in April in Taiwan, Hong Kong, Singapore and Malaysia.
- Several other *KLIM* line extensions are planned for 1993.
- Borden acquired a joint interest in a Chinese milk powder plant, which is being doubled in size and upgraded to produce *KLIM* milk powder.
- A major effort is under way to revitalize *Lady Borden* ice cream in Japan with more contemporary packaging, new flavors, a new convenience store line, consumer promotions and increased advertising support.
- A reformulated *Lady Borden Classic* premium ice cream has regained much of the distribution in Japan that it had lost after the end of a local licensing agreement in 1991.

• *Lady Borden Home Made* ice cream is being repositioned for maximum appeal to youthful Japanese consumers of superpremium ice cream.

• A state-of-the-art process cheese plant was completed at Nagano, Japan, in June. The plant produces *Borden* brand sliced cheese in the *Singles-keeper* package, cheese snacks, shredded natural cheese and cheese powder for distribution across Japan.

European Grocery/Pasta

• Albadoro S.p.A., one of Borden's two Italian pasta companies, posted higher sales and income in 1992. It plans to increase plant capacity by 20% in 1993 to help meet the growing worldwide demand for high quality Italian pasta.

• Monder Aliment, S.p.A. in Italy, a leading marketer and exporter of dry filled pastas, added several new products in 1992 and achieved a record share of Italian sales.

• Gallina Blanca, Borden's joint venture Spanish food company and a world leader in dry soups and bouillon, remained number one in Spain by offering several new varieties, including low sodium and children's soups.

• Gallina Blanca achieved record sales of *Jumbo* bouillon in key African markets and will begin bouillon production in China during 1993 through a joint venture.

Dairy

Borden dairy had a 1992 operating loss of $21.4 million, while sales increased 1.5% to $1.45 billion. Excluding a 1992 charge of $47.3 million and a 1991 charge of $5.1 million, operating income was off 71.3% in 1992, due to increased raw milk costs and strong price competition from private label and regional milk processors.

Dairy marketing was reorganized along product lines to provide tighter direction to the fluid milk business and to coordinate the marketing of higher margin ice cream, frozen desserts and cultured products.

• Ice cream marketing was separated from fluid milk, and cultured dairy products marketing was combined with cheese, to take advantage of similar sales and distribution channels.

Highlights

Fluid Milk

• Sales of *Lite-line* and *Viva* protein fortified skim milk significantly outpaced category growth.

• Promotional support helped Borden defend its market position and achieve volume increases in key regional fluid milk markets despite strong local competition.

• A new regional distribution center in Houston, Texas, enabled Borden to consolidate operations, while improving customer service.

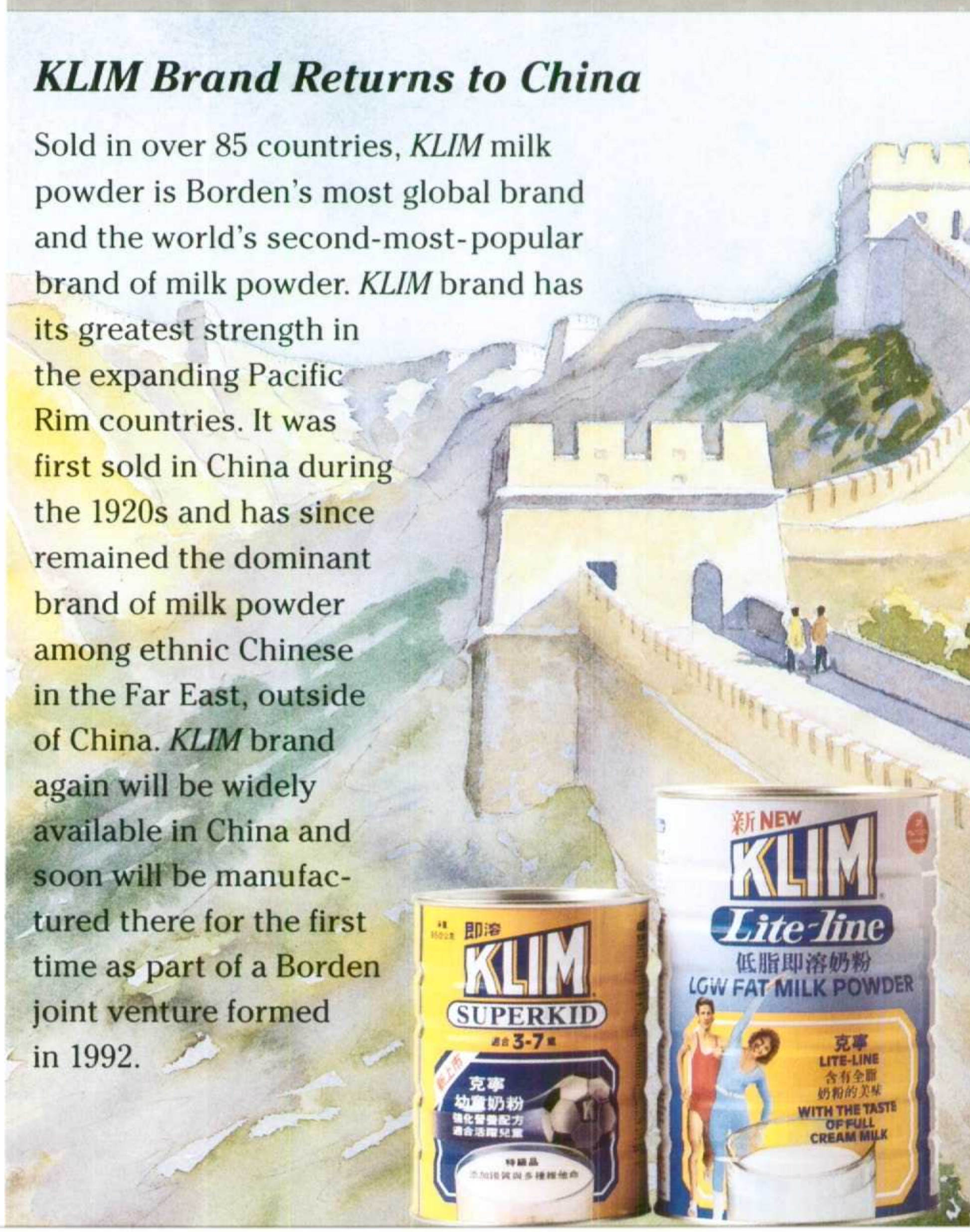
• Sales of fluid milk to Mexico were increased in anticipation of approval of the North American Free Trade Agreement.

Frozen Desserts and Cultured Products

• Sales of a reformulated *Lady Borden* premium ice cream were expanded to the Midwest and Southeast in 1992. Increased advertising support and several new flavors also helped to boost *Lady Borden* ice cream sales.

KLIM Brand Returns to China

Sold in over 85 countries, *KLIM* milk powder is Borden's most global brand and the world's second-most-popular brand of milk powder. *KLIM* brand has its greatest strength in the expanding Pacific Rim countries. It was first sold in China during the 1920s and has since remained the dominant brand of milk powder among ethnic Chinese in the Far East, outside of China. *KLIM* brand again will be widely available in China and soon will be manufactured there for the first time as part of a Borden joint venture formed in 1992.



• *Fat Free* frozen novelties in three flavors were launched during July in key Midwest markets. Further expansion is planned in 1993.

• *Borden* and *Meadow Gold* frozen yogurt outpaced the rest of the frozen yogurt segment with the wide acceptance of the Borden brand throughout the Northeast.

• *Borden* frozen desserts distribution was added in the Mid-Atlantic region.

Dairy Brand Revitalization

A major effort to revitalize Borden dairy brands is planned for 1993. The program includes national advertising and public relations campaigns.

Packaging for all Borden dairy products has been redesigned to prominently feature an updated Elsie the Cow and a new, bolder Borden trademark.

New dairy television commercials featuring an animated Elsie the Cow will begin appearing in early 1993.

Packaging and Industrial Products/Domestic and International

This division has primary responsibility for non-food consumer products, and films and adhesives, and includes pasta in Brazil.

Sales held even in 1992 at $1.95 billion, and operating income declined 34.7% to $124.5 million. Excluding the 1992 charge of $74.2 million and the 1991 charge of $12.5 million, operating income fell 2.1% in 1992.

The division's results benefited from sales and income gains in forest products adhesives and industrial resins, Latin American operations, worldwide wallcoverings and consumer adhesives. These gains were offset primarily by the divestment of two European specialty adhesives businesses in March and declines in North American plastic films and packaging.

Highlights

Non-Food Consumer

Consumer Adhesives

Sales and income grew slightly in 1992 after posting strong gains in 1991.

• *School Glue Gel* was added to the *Elmer's* line of consumer adhesives, complementing its popular *Glue-All* and original *School Glue*.

• *Fun Kits* children's activities kits for use with the unique *GluColors* line of decorative glues are planned for an early 1993 introduction.

• Results in *Krazy Glue* instant glues and *Accent* craft paints were hurt by strong category competition.

Wallcoverings

Borden wallcoverings improved despite an industrywide slowdown in residential and commercial wallcovering sales. Particularly strong gains were posted in Borden commercial wallcoverings.

• Borden benefited from new product introductions, marketing initiatives and strong customer sales support.

• A *Guard* line of environmentally friendly commercial wallcoverings was introduced in 1992, supported by trade advertising.

• Borden increased its offerings in the highly profitable coordinated home wallcoverings/bedding ensemble segment of the home fashions market.

• A new line of licensed Disney character wallcoverings, borders and wall murals is slated for 1993 introduction.

• New computer assisted design systems added to Borden's strong technical capabilities.

Plastic Films and Packaging

Results in North American Plastic Operations were hurt by higher raw material costs and strong price competition in all major products. Income in European plastic films and packaging was up on steady sales, despite a sluggish European economy in the latter half of the year.

North America

• Dollar sales of *Resinite* and *Sealwrap* vinyl foodwrap films were down in 1992 due to lower product pricing and reduced demand industrywide.

• Sales of *Loadmaster* palletwrap film outperformed industry growth by nearly two to one.

• Borden became the exclusive North American marketer of advanced oriented polypropylene (OPP) films from Moplefan, S.p.A., a leader in European high-technology films.

• Marketed under the *OPPticoat* and *OPPtiwrap* trademarks, the new films are used principally in food packaging

and complement Borden's existing line of *Proponite* OPP films.

• *LUV* high technology coatings posted record sales and income in 1992, benefiting from a growing demand in the United States, Canada and Europe for its patented fiber-optic coatings.

• 1992 sales and income held even at Vernon Plastics, helped by gains in industrial laminates and entry into the outdoor advertising market with a flexible billboard fabric.

Europe

Strong gains in European flexible films more than offset declines in the rigid packaging business.

• Additional capacity was brought into production in 1992 to meet the growing European demand for palletwrap film. A further increase is expected for 1993.

Worldwide Resins

Sales and income rose in 1992 because of strong gains in North American forest products adhesives and worldwide industrial resins.

• Borden's forest products adhesives, industrial resins and specialty adhesives were consolidated into a single worldwide operation.

• Borden developed several new forest products adhesives, including low-formaldehyde-emitting resins, and faster-curing and moisture-tolerant phenolic resins.

• New resin technology also was developed for electronics, advanced composite materials and high-speed lithography.

• Borden completed a 50% increase in phenolic resin capacity at Louisville, Kentucky, as well as forest products adhesives expansions at Edmonton, Alberta; Springfield, Oregon; and Sheboygan, Wisconsin.

• Further expansions are planned at Peterlee in the United Kingdom and at Sarawak in Malaysia.

• Acquisitions in the United Kingdom complemented Borden's position as the leading European supplier of advanced foundry resins and included new technology for an advanced binder system.

• Forest products adhesives operations in Australia, Malaysia and the Philippines also posted higher sales and income.

• Sales and income in Far Eastern films and plastic packaging were up slightly, with expanded film sales throughout the Pacific Rim.

Latin America

Despite unstable economic and political conditions throughout the region, Borden's non-food consumer, films and adhesives businesses posted gains in sales and sharply higher income, benefiting from new free-trade agreements among the various Latin American countries.

In Brazil, where *Adria* pasta is the best-selling national brand, Borden began importing high quality durum wheat from Argentina and relaunched the *Italianissimo* premium pasta brand.

Partnership Contribution

Borden received a lower income contribution in 1992 from its management fees and 2% general partnership interest in the publicly traded Borden Chemicals and Plastics Limited Partnership.

Borden Leads with New Wallcoverings and Adhesives

Borden is adding to its premier position in two top non-food categories: wallcoverings and consumer adhesives. Its well-known *Wall-Tex, Borden Home* and *Sunworthy* wallcoverings and *Elmer's* and *Krazy Glue* adhesives are joined by *Borderlines* peel-and-stick borders, and the *GluColors* decorative glues and *School Glue Gel* additions to the popular *Elmer's* line of consumer adhesives.

Meeting Social and Environmental Concerns

Borden has an excellent record as a good corporate citizen and in protecting the environment.

To guide its actions, the Company formally adopted the Borden Principles of Environmental Responsibility in 1990 and followed with the Borden Principles of Social Responsibility in 1991.

Reinforcing these principles are companywide policies and programs regarding fair employment practices, minority purchasing, charitable contributions, environmental protection and product packaging.

Commitment to Equal Opportunity

The Company firmly believes in fair and equitable treatment for all employees. It hires, trains, promotes, compensates and makes all other employment decisions without regard to race, color, sex, age, religion, national origin or handicap.

The Company has Equal Employment Opportunity (EEO) programs in place at every U.S. location, with the goal of full representation of qualified minorities and women among the Borden workforce. The result is a diverse domestic workforce in which minorities represent 24% of the total, well above the 18% national average.

In 1992, Borden's longstanding commitment to equality in the workplace was recognized by the Columbus chapter of the National Urban League, which presented the Company with the chapter's highest corporate commendation – The Award of Excellence.

Borden established a pioneering minority purchasing program more than 20 years ago, and it has continued a leadership role by making certain that minority suppliers have opportunities to win business from Borden.

In 1992, Borden purchased goods and services totaling $75 million from minority suppliers and made tax payments totaling $46 million through minority-owned banks.

Concern for the Community

Borden's tradition of caring about people who are less fortunate and in need of help dates back to Gail Borden. His great concern for people – in particular children who needed a source of pure milk – led him to invent condensed milk and then to found The Borden Company more than 135 years ago.

That legacy continues today through the Borden Foundation, which serves as the Company's principal conduit for charitable contributions. Since 1988, the Foundation has made aid to disadvantaged children its primary focus, with the largest share of corporate charitable support going directly to organizations that provide disadvantaged children with better opportunities to succeed.

Among the Foundation's most important efforts is its five-year-old Ten Cities Program with the National Urban League, which allocates special grants to League chapters to enhance the lives of children in their communities. Programs have been conducted so far in 17 Urban League chapters.

In 1991 and 1992, the effort was mirrored in a Ten Cities Program with the ASPIRA Association, Inc. for Hispanic Americans, which has helped children in cities coast-to-coast and in Puerto Rico.

Based on its record of corporate philanthropy, Borden received the 1992 Corporate Responsibility Award from the New York Chapter of the National Society of Fund Raising Executives.

Reduce, Recycle, Reuse

Borden devotes considerable resources to meeting its environmental responsibilities. It has companywide programs to reduce waste, minimize pollution and protect the environment.

Several Borden plants were recognized in 1992 for outstanding efforts. For example, among just 14 honorees, the state of California paid tribute to Borden's forest products adhesives plant at Fremont – it cut its water use in half over a five-year period, even as it expanded production. Other forest products adhesives plants have dramatically reduced waste and now achieve zero discharge of hazardous liquid waste.

Similarly, the Dallas, Texas, dairy was honored for its perfect wastewater compliance record, and wallcoverings plant employees in Columbus, Ohio, recycled over 4 million pounds of scrap vinyl and corrugated cardboard in 1992.

Environmentally Responsible Packaging

Recognizing the growing concern over solid waste, Borden established a corporatewide product packaging policy in 1992. Borden pledges to use packaging that meets environmental concerns while maintaining product quality and safety.

Borden has reduced the thickness of packaging materials, used lighter weight materials and eliminated unnecessary packaging. These include lighter weight containers for *Cremora* and *Cremora Lite* non-dairy creamers, *ReaLemon* juice and *Eagle Brand* sweetened condensed milk, and thinner plastic films for individually wrapped cheese slices and packaged pastas.

Borden uses 100% recycled fiberboard for nearly all of its domestic pasta boxes and an increasing amount of recycled content of glass, steel and aluminum in its packaging. New containers are marked with industry symbols to remind and encourage consumers to recycle.

Corrugated cartons and shippers used by Borden are made from recycled materials, while shipping boxes from Borden Snacks are reused on average between five and six times.

Currently under evaluation is the use of 100% recycled polyethylene terephthalate (PET) resin for the Borden *Singleskeeper* cheese container.

1992 Financial Review

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Following is a discussion of the results of operations, financial position and cash flows for the Company as a whole and its four operating divisions during the three most recent years. A three year summary of sales and operating income for the four divisions is presented on page 20.

Net sales in 1992 decreased 1.3% to $7.143 billion from $7.235 billion in 1991. Sales in 1991 decreased 5.2% from 1990 sales of $7.633 billion.

In 1992 the Company recorded a pretax restructuring charge of $642.0 million, $450.0 million after tax, or $3.14 per share, to establish a reserve to cover costs of a companywide restructuring program. The restructuring program includes projects to unify businesses, modernize and integrate product presentation, remedy problems in underperforming businesses and reduce costs.

During 1992 the Company adopted Statements of Financial Accounting Standards (SFAS) No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" and No. 109 "Accounting for Income Taxes." Both accounting changes were applied retroactively to January 1, 1992. These accounting changes reduced 1992 net income before the cumulative effect of accounting changes by $8.1 million, or $.06 per share. The cumulative effect of the accounting changes as of January 1, 1992 was to reduce 1992 net income by $229.0 million, or $1.60 per share.

As a result of the restructuring charge and the effect of accounting changes, the Company reported a 1992 net loss of $439.6 million, or $3.07 per share, compared to 1991 net income of $294.9 million, or $2.00 per share. Net income for 1991 decreased 18.9% from $363.6 million in 1990, while 1991 earnings per share decreased 18.7% from $2.46 in 1990. Results for 1991 included a reorganization charge of $71.6 million, $44.0 million after tax, or $.30 per share, to cover business reorganization costs, as well as severance, relocation and other employee-related expenses.

Division operating income in 1992 decreased 89.9% to $68.8 million from $681.0 million in 1991 primarily as a result of the allocation to operating divisions of $487.8 million of the restructuring charge, and also due to intense competition in many of the businesses and markets in which the Company operates. These competitive conditions are expected to continue in 1993, and the restructuring program undertaken during the third quarter has been designed to remedy organizational inefficiencies and improve the Company's competitive position. The Company expects its future operating results to show a significant improvement versus those achieved in 1992. Operating income in 1991 included $65.6 million of reorganization charges. Operating income in 1990 was $790.2 million.

Grocery Products' 1992 sales decreased 2.3% to $1.869 billion from $1.912 billion in 1991 as a result of the 1991 sale of MCP Foods. Excluding this divestiture, sales were slightly higher in 1992. Operating income declined 56.6% to $119.3 million from $274.7 million in 1991 primarily as a result of the 1992 charge of $112.3 million. Operating income in 1991 included a charge of $23.8 million. Excluding both charges, 1992 operating income decreased 22.4% compared to 1991 primarily as a result of increased advertising, promotion and raw material costs for cheese and pasta as well as declines in Canadian operations, foodservice and clam products, partially offset by improvements in several niche grocery products. The Division's 1991 sales decreased 2.2% from $1.956 billion in 1990 primarily as a result of the Krylon and MCP divestitures and lower foodservice and cheese sales, partially offset by increased Canadian sales and 1990 and 1991 acquisitions. Operating income in 1991 decreased 18.1% from $335.6 million in 1990. Excluding the 1991 charge,

operating income decreased 11.0% compared to 1990, due primarily to the impact of recession and increased competition on foodservice margins, lower cheese volume and higher cheese promotion costs, as well as the divestitures.

Snacks and International Consumer Products' 1992 sales decreased 3.9% to $1.872 billion from $1.949 billion in 1991 as a result of the sales of the Sooner and Crecspan snack businesses. Excluding these divestitures, sales were slightly higher in 1992. As a result of the 1992 charge of $254.0 million, an operating loss of $153.6 million was recorded compared to operating income of $130.7 million in 1991. Operating income in 1991 included a charge of $24.2 million. Excluding both charges, 1992 operating income decreased 35.1% compared to 1991 primarily as a result of continued intense price competition and heavy promotional spending in North American snacks and slightly lower income for most international operations. The Division's 1991 sales increased 2.1% from $1.910 billion in 1990, due primarily to higher sales of sweet snacks, international whole milk powder and Canadian salty snacks as well as 1990 international acquisitions, partially offset by lower domestic snack sales caused by increased competition. Operating income in 1991 declined 26.4% from $177.5 million in 1990. Excluding the charge, operating income decreased 12.7% compared to 1990 reflecting lower volume and increased marketing costs for domestic snacks caused by competitive market conditions, partially offset by improved results for sweet snacks and international whole milk powder.

Dairy's 1992 sales increased 1.5% to $1.450 billion from $1.429 billion in 1991 primarily as a result of increased milk sales. As a result of the 1992 charge of $47.3 million, an operating loss of $21.4 million was recorded compared to operating income of $85.0 million in 1991. Operating income in 1991 included a charge of $5.1 million. Excluding both charges, 1992 operating income decreased 71.3% compared to 1991 primarily as a result of higher raw milk costs and strong price competition from private label and regional milk processors. The Division's 1991 sales decreased 18.8% from $1.761 billion in 1990 reflecting withdrawal from certain markets in connection with the 1989 reconfiguration program as well as lower selling prices. Operating income in 1991 improved 11.9% from $75.9 million in 1990. Excluding the charge, operating income increased 18.6% compared to 1990 reflecting lower raw milk costs and benefits from the reconfiguration program.

Packaging and Industrial Products Domestic and International's 1992 sales increased 0.4% to $1.952 billion from $1.945 billion in 1991 primarily as a result of increases in worldwide wallcoverings, forest products adhesives and industrial resins offset by the divestiture of the Lambiotte and TRL specialty adhesives businesses in France. Operating income declined 34.7% to $124.5 million from $190.6 million in 1991 primarily as a result of the 1992 charge of $74.2 million. Operating income in 1991 included a charge of $12.5 million. Excluding both charges, 1992 operating income decreased 2.1% compared to 1991 primarily as a result of declines in North American plastic film and packaging and decreased income from Borden Chemicals and Plastics Limited Partnership, partially offset by income improvements in Latin American operations, forest products adhesives and industrial resins. The Division's 1991 sales decreased 3.1% from $2.006 billion in 1990 reflecting lower Brazilian resin, specialty resin and foundry products sales partially offset by acquisitions and increased European wallcoverings sales. Operating income in 1991 declined 5.3% from $201.2 million in 1990. Excluding the 1991 charge, 1991 operating income was comparable to 1990.

Interest expense in 1992 decreased from the prior year due to lower average debt levels and lower interest rates. Minority interest increased as a result of the limited partner interest in T.M.I. Associates, L.P., a limited partnership in which the Company has a 77.28% general partner interest, being included for all of 1992 as compared to a short period in 1991.

Three Year Comparison of Division Sales and Operating Income

(Dollars in millions) Year Ended December 31,	1992		1991		1990	
Division Sales						
Grocery Products	**$1,868.5**	**26%**	$1,912.2	26%	$1,955.6	26%
Snacks and International Consumer Products	**1,872.4**	**26**	1,948.9	27	1,909.8	25
Dairy	**1,449.9**	**20**	1,429.2	20	1,760.9	23
Packaging and Industrial Products						
Domestic and International	**1,951.8**	**28**	1,944.8	27	2,006.5	26
Total	**$7,142.6**	**100%**	$7,235.1	100%	$7,632.8	100%
Division Operating Income (Loss)						
Grocery Products	**$ 119.3**	**N/M**	$ 274.7	40%	$ 335.6	42%
Snacks and International Consumer Products	**(153.6)**	**N/M**	130.7	19	177.5	22
Dairy	**(21.4)**	**N/M**	85.0	13	75.9	10
Packaging and Industrial Products						
Domestic and International	**124.5**	**N/M**	190.6	28	201.2	26
Total	**68.8**		681.0	100%	790.2	100%
Other income and expense not allocable to divisions and income taxes	**(508.4)**		(386.1)		(426.6)	
Net income (loss)	**$ (439.6)**		$ 294.9		$ 363.6	

Notes to Three Year Comparison of Division Sales and Operating Income Statement:

The restructuring charge to division operating income in 1992 is allocated as follows: $112.3 for Grocery Products, $254.0 for Snacks and International Consumer Products, $47.3 for Dairy, and $74.2 for Packaging and Industrial Products Domestic and International. Other income and expense not allocable to divisions in 1992 includes a charge of $154.2.

The reorganization charge to division operating income in 1991 is allocated as follows: $23.8 for Grocery Products, $24.2 for Snacks and International Consumer Products, $5.1 for Dairy, and $12.5 for Packaging and Industrial Products Domestic and International. Other income and expense not allocable to divisions in 1991 includes a charge of $6.0.

Certain amounts in the three year comparison of division sales and operating income statement have been reclassified for comparative purposes.

N/M–Not meaningful.

As a result of the 1992 loss, an income tax benefit of $81.4 million was recorded in 1992 compared to expense of $166.0 million in 1991. The lower effective tax rate in 1992 reflects certain restructuring expenses that do not have related tax benefits. The 1991 and 1990 effective tax rates are comparable and both rates reflect the benefit of capital losses from an investment partnership.

Liquidity and Capital Resources

Borden meets the majority of its operating cash requirements through operations. The amounts provided from operating activities in 1992, 1991 and 1990 were $292.9 million, $348.8 million and $295.1 million, respectively. Cash provided from operating activities for 1992 decreased compared to 1991 due primarily to the decline in operating results. Cash provided from operating activities for 1991 increased compared to 1990 due primarily to lower spending related to the 1989 reconfiguration program.

Capital expenditures for new facilities and improvements to existing facilities were $286.2 million in 1992, $376.0 million in 1991 and $331.1 million in 1990. Capital expenditures in 1992, 1991 and 1990 related to the 1989 reconfiguration program were approximately $31.4 million, $145.7 million and $106.4 million, respectively. The reconfiguration program expenditures for the three years included construction of three dairy plants, four niche grocery plants, two pasta plants and two snacks plants.

The Company acquired a bakery operation, a foodservice operation, a foundry resin operation and a rigid plastics operation in 1992 for a total cost of $20.1 million. During 1991 the Company acquired four operations for a total cost of $29.5 million. The 1991 acquisitions include a clam products operation, two bakery operations and a pasta operation. During 1990 the Company acquired 10 operations for a total cost of $157.1 million. The 1990 acquisitions include two pasta and pasta sauce operations, one snacks operation, two flexible packaging operations, two forest products operations, a decorative laminate manufacturer, a dairy operation and a joint venture interest in a glue operation.

During 1990 the Company acquired a majority ownership interest in a partnership which principally holds various high-grade short and medium term investments. Partnership investment transactions resulted in tax benefits from capital losses of $17.9 million, $11.7 million and $16.8 million in 1992, 1991 and 1990, respectively.

Borden borrows domestically at commercial paper rates and has credit agreements available with domestic and foreign lending institutions to support commercial paper borrowings of $567.0 million. The credit agreements bear interest, if used, at approximately the prime rate, or less, in effect at the date of use. Additional unused lines of credit totaling $309.0 million at December 31, 1992 are available for use by foreign subsidiaries.

At December 31, 1991 the Company had $500.5 million of short-term borrowings from the T.M.I. Associates, L.P. which were used primarily to retire commercial paper and long-term debt. During 1992 commercial paper and additional borrowings from the T.M.I. Associates, L.P. were used to further reduce long-term debt. Short-term debt increased $255.5 million in 1992 compared to a decrease of $310.4 million in 1991 and long-term debt decreased $266.1 million in 1992 compared to $244.2 million in 1991.

In 1992, 1991 and 1990 long-term debt financing provided $45.2 million, $223.1 million and $12.8 million, respectively.

In 1992 the Company issued ten-year zero-coupon convertible bonds. The bonds issued had an aggregate value of $235.0 million and carry an effective interest rate of 5.74%. The bonds were issued in exchange for 7 million shares of the Company's common stock which were retired. The bonds will be convertible after five years into 5.95 million common shares. In connection with this transaction, the underwriter received an option under which it will have the right to receive additional Borden shares if the market price of Borden stock does not meet specific targets during the fourth year the bonds are outstanding. This non-cash transaction is not reflected in the amounts above or in the consolidated statement of cash flows.

Long-term debt financing in 1991 included a $200.0 million issuance of 30-year, 9.2% debentures which were used primarily to repay short-term commercial paper, which had increased during 1990 to temporarily finance acquisitions and capital expenditures.

The Company's financial position and earnings history provide a solid base for obtaining substantial financial resources. At December 31, 1992 the Company had the ability to borrow up to $500.0 million under shelf registration statements. The Company has the flexibility to enter debt markets quickly and take advantage of favorable market conditions. If required, management believes that additional funding could be obtained at competitive rates and terms.

New Accounting Pronouncement

In 1992 the Financial Accounting Standards Board issued SFAS No. 112 "Employers' Accounting for Postemployment Benefits." The Statement requires employers to accrue the cost of benefits provided to former or inactive employees, their beneficiaries, and covered dependents after employment but before retirement. The Statement must be adopted no later than first quarter 1994. The Company has not yet determined the impact of this Statement.

Description of Business and Business Segments

Borden is engaged primarily in manufacturing, processing, purchasing and distributing a broad range of products. The Company's operations are divided into two major industry segments: the foods segment and the non-food consumer and industrial segment. Within these segments the Company has six primary business areas: pasta and sauce, snacks, niche grocery, dairy, non-food consumer and industrial films and adhesives. For financial reporting purposes, the Company is organized into four operating divisions: Grocery Products, Snacks and International Consumer Products, Dairy and Packaging and Industrial Products Domestic and International.

The foods segment includes most of three operating divisions: Grocery Products, Snacks and International Consumer Products and Dairy. The non-food consumer and industrial segment includes primarily Packaging and Industrial Products Domestic and International. Corporate departments provide certain centralized services for all operating units. The Company's general offices are located in Columbus, Ohio, and its executive offices are located in New York City. Production facilities are located throughout the United States and in many foreign countries.

The foods segment includes the following major product lines: sweet and salty snacks, pasta and pasta sauces, processed cheese, individual portion and foodservice sized condiments, sweetened condensed milk, non-dairy creamer, reconstituted lemon and lime juices, bouillon, confections, jams and jellies, seafood, dehydrated soups, homogenized milk, whole milk powder, ice cream, sherbet, yogurt, cottage cheese, frozen novelties, low-fat dairy products, milk-based products for foodservice trade, and fruit drinks.

The non-food consumer and industrial segment includes wallcoverings and adhesives, transparent wrapping film, adhesives for the forest products industry, resins for the foundry industry and flexible and rigid packaging.

Domestic products for the foods segment are marketed primarily through food brokers and distributors, and to a lesser extent directly to wholesalers, retail stores, foodservice businesses, food processors, institutions and governmental agencies. Domestic products for the non-food consumer and industrial segment are sold throughout the United States to industrial users and, in the case of consumer products, by in-house and independent sales forces to distributors, wholesalers, jobbers and retailers. To the extent practicable, international distribution techniques parallel those used in the United States. However, raw materials, production considerations, pricing competition, government policy toward industry and foreign investment and other factors may vary substantially from country to country for both industry segments.

The Company's businesses in both industry segments must deal with intense competition on local and national levels, both in the United States and in foreign markets. Total advertising and promotion expense in support of Borden products increased to $686.7 million in 1992 from $603.3 million in 1991 and $520.2 million in 1990.

The primary raw materials used by the foods segment businesses are milk, flour, potatoes, corn, vegetable oils and tomato products. The primary raw materials used by the non-food consumer and industrial segment businesses are PVC resins, methanol, phenol and formaldehyde. Raw materials are generally available from numerous sources in sufficient quantities but are subject to price fluctuations. Long-term purchase agreements are used in certain circumstances to assure availability of adequate raw material supplies at guaranteed prices.

Research and development expenditures were $30.8 million in 1992, $30.3 million in 1991 and $31.1 million in 1990. The development and marketing of new food and packaging and industrial products is carried out at the division level and is integrated with quality controls for existing product lines.

Working capital for both segments is generally funded through operations or short-term borrowings.

A breakdown of the Company's sales, operating profit and other information between the foods and non-food consumer and industrial business segments is presented on page 24.

Segment operating profit is total revenue less operating expenses. In computing segment operating profit, none of the following items have been deducted from revenue: general corporate expenses, interest expense and Federal, state and local income taxes.

Identifiable assets by segment are those assets that are used in the segment's operations. Corporate assets consist primarily of cash and equivalents, prepaid expenses and fixed assets.

As of December 31, 1992 the Company operated 85 domestic food manufacturing and processing facilities in 34 states and Puerto Rico. The most significant of these facilities are an Illinois plant producing *Cracker Jack*, bouillon and dehydrated soup, an Alabama plant producing *Bama* jams and jellies and *ReaLemon* lemon juice, the Arizona, Massachusetts, Michigan, Minnesota and Missouri pasta plants, the California, Pennsylvania and Mississippi food-service plants, the Missouri and Pennsylvania snacks plants and dairy facilities located throughout the country. In addition, the Company operated 47 foreign food manufacturing and processing facilities located principally in Canada, Latin America and Western Europe.

As of December 31, 1992 the Company operated 37 domestic non-food consumer and industrial manufacturing and processing facilities in 19 states, the most significant being the Resinite plants in Georgia, Massachusetts and Texas, the Proponite plant in Massachusetts, the forest products adhesives plants in Oregon and North Carolina and the specialty resins plant in Kentucky. In addition, the Company operated 60 foreign non-food consumer and industrial manufacturing and processing facilities located principally in Brazil, Canada, the Far East and Western Europe.

The Company's manufacturing and processing facilities are generally well maintained and effectively utilized. Substantially all facilities are owned by the Company.

Environmental

Borden is actively engaged in complying with environmental protection laws, as well as various Federal and state statutes and regulations relating to manufacturing, processing and distributing its many products. In this connection, the Company incurred capital expenditures of $16.6 million in 1992 compared to $11.3 million in 1991 and $12.0 million in 1990. The Company estimates that it will spend $18.4 million for environmental control facilities during 1993.

Under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) or similar state environmental laws, the Company has potential liability, along with a large number of others, at various waste sites designated for cleanup. The Company believes the realistic range of liability under CERCLA and other environmental statutes and regulations, taking into account its established accruals for estimated liability, would not have a material adverse effect on the Company's financial position or operating results.

Business Segments

(In millions)	Year Ended December 31,	1992*	1991**	1990
Net Sales	Foods	**$5,223.9**	$5,323.2	$5,629.4
	Non-food consumer and industrial	**1,918.7**	1,911.9	2,003.4
	Total	**$7,142.6**	$7,235.1	$7,632.8
Operating Profit	Foods	**$ (56.1)**	$ 485.6	$ 583.0
	Non-food consumer and industrial	**124.9**	195.4	207.2
	Total segments	**68.8**	681.0	790.2
	General corporate expense, net	**(212.8)**	(21.7)	(27.7)
	Interest expense	**(148.0)**	(198.4)	(186.9)
	(Loss) earnings before income taxes and cumulative effect of accounting changes	**$ (292.0)**	$ 460.9	$ 575.6
Identifiable Assets	Foods	**$3,547.2**	$3,708.5	$3,528.3
	Non-food consumer and industrial	**1,397.0**	1,439.5	1,447.2
	Total segments	**4,944.2**	5,148.0	4,975.5
	Corporate assets	**377.2**	333.3	308.8
	Total	**$5,321.4**	$5,481.3	$5,284.3
Depreciation and Amortization	Foods	**$ 165.7**	$ 157.2	$ 149.6
	Non-food consumer and industrial	**49.8**	46.2	43.7
Capital Expenditures	Foods	**$ 202.9**	$ 303.4	$ 260.1
	Non-food consumer and industrial	**74.6**	66.0	63.4
Geographic Information	Net sales			
	United States	**$4,962.3**	$4,966.3	$5,467.4
	Europe	**1,072.0**	1,179.6	1,124.5
	Other	**1,108.3**	1,089.2	1,040.9
	Total	**$7,142.6**	$7,235.1	$7,632.8
	Operating profit			
	United States	**$ 3.1**	$ 458.2	$ 569.6
	Europe	**37.1**	102.1	98.5
	Other	**28.6**	120.7	122.1
	Total	**$ 68.8**	$ 681.0	$ 790.2
	Identifiable assets			
	United States	**$3,603.6**	$3,625.1	$3,482.9
	Europe	**858.0**	1,027.4	1,059.1
	Other	**859.8**	828.8	742.3
	Total	**$5,321.4**	$5,481.3	$5,284.3

The $487.8 restructuring charge to segment operating profit in 1992 is allocated as follows: $413.6 for the foods segment and $74.2 for the non-food consumer and industrial segment; and $356.7 for U.S. operations, $59.0 for European operations and $72.1 for other foreign operations. $154.2 million of the restructuring charge is included in general corporate expense as it is not allocable to operating profit.

***The $65.6 reorganization charge to segment operating profit in 1991 is allocated as follows: $53.1 for the foods segment and $12.5 for the non-food consumer and industrial segment; and $39.0 for U.S. operations, $7.4 for European operations and $19.2 for other foreign operations. $6.0 million of the reorganization charge is included in general corporate expense as it is not allocable to operating profit.*

Consolidated Statements of Income

(In millions except per share data)	*Year Ended December 31,*	1992	1991	1990
Revenue	Net sales	**$7,142.6**	$7,235.1	$7,632.8
Costs and Expenses	Cost of goods sold	**5,057.3**	5,070.8	5,486.2
	Marketing, general and administrative expenses	**1,565.7**	1,462.0	1,404.8
	Restructuring and reorganization charges	**642.0**	71.6	
	Interest expense	**148.0**	198.4	186.9
	Equity in income of affiliates	**(19.4)**	(23.9)	(23.1)
	Minority interest	**39.7**	2.8	2.8
	Other (income) and expense, net	**1.3**	(7.5)	(.4)
	Income taxes	**(81.4)**	166.0	212.0
		7,353.2	6,940.2	7,269.2
Earnings	(Loss) income before cumulative effect of accounting changes	**(210.6)**	294.9	363.6
	Cumulative effect of change in accounting for postretirement benefits other than pensions	**(189.0)**		
	Cumulative effect of change in accounting for income taxes	**(40.0)**		
	Net (loss) income	**$ (439.6)**	$ 294.9	$ 363.6
Share Data	(Loss) income per common share before cumulative effect of accounting changes	**$ (1.47)**	$ 2.00	$ 2.46
	Cumulative effect per common share of change in accounting for postretirement benefits other than pensions	**(1.32)**		
	Cumulative effect per common share of change in accounting for income taxes	**(.28)**		
	Net (loss) income per common share	**$ (3.07)**	$ 2.00	$ 2.46
	Cash dividends paid per common share	**$ 1.185**	$ 1.12	$ 1.035
	Average number of common shares outstanding during the period	**143.4**	147.6	147.9

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

(In millions except share and per share data)	*December 31,*	1992	1991
ASSETS			
Current Assets	Cash and equivalents	**$ 186.0**	$ 208.3
	Accounts receivable (less allowance for doubtful accounts of $10.3 and $10.2, respectively)	**937.9**	917.0
	Inventories:		
	Finished and in process goods	**400.9**	404.3
	Raw materials and supplies	**240.2**	251.1
	Other current assets	**214.6**	160.5
		1,979.6	1,941.2
Investments and Other Assets	Investments in and advances to affiliated companies	**96.1**	81.3
	Other assets	**255.8**	237.6
		351.9	318.9
Property and Equipment	Land	**125.6**	122.8
	Buildings	**815.5**	782.1
	Machinery and equipment	**2,389.5**	2,338.7
		3,330.6	3,243.6
	Less accumulated depreciation	**(1,519.2)**	(1,339.9)
		1,811.4	1,903.7
Intangibles	Intangibles resulting from business acquisitions (net of accumulated amortization of $222.9 and $182.9, respectively)	**1,178.5**	1,317.5
		$5,321.4	$5,481.3

See Notes to Consolidated Financial Statements

	December 31,	1992	1991
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities	Debt payable within one year	**$ 706.6**	$ 419.3
	Accounts and drafts payable	**589.7**	591.9
	Restructuring reserve	**234.1**	
	Income taxes	**55.1**	75.1
	Other current liabilities	**320.2**	347.4
		1,905.7	1,433.7
Other	Long-term debt	**1,329.9**	1,345.8
	Deferred income taxes	**29.2**	187.8
	Postretirement benefit obligation	**317.7**	
	Other long-term liabilities	**169.6**	25.0
	Minority interest	**518.2**	514.5
		2,364.6	2,073.1
Shareholders' Equity	Common stock – $0.625 par value Authorized 480,000,000 shares Issued 194,983,374 shares and 201,983,374 shares, respectively	**121.9**	126.2
	Paid-in capital	**83.0**	314.9
	Accumulated translation adjustment and other	**(131.5)**	(52.7)
	Retained earnings	**1,517.3**	2,127.3
		1,590.7	2,515.7
	Less common stock in treasury (at cost) – 54,342,642 shares and 54,499,760 shares, respectively	**(539.6)**	(541.2)
		1,051.1	1,974.5
		$5,321.4	$5,481.3

Consolidated Statements of Cash Flows

(In millions)	Year Ended December 31,	1992	1991	1990
Cash Flows From Operating Activities	Net (loss) income	**$(439.6)**	$294.9	$363.6
	Adjustments to reconcile net income to net cash from operating activities:			
	Depreciation and amortization	**227.6**	216.9	197.3
	Restructuring and reorganization	**561.0**	(65.0)	(286.5)
	Postretirement benefit obligation	**317.7**		
	Net changes in assets and liabilities:			
	Trade receivables	**(40.7)**	19.9	47.9
	Inventories	**1.0**	7.6	1.5
	Trade payables	**(4.4)**	(15.1)	(20.4)
	Current and deferred taxes	**(219.5)**	63.4	131.2
	Other assets	**(90.6)**	(99.0)	(91.7)
	Other, net	**(19.6)**	(74.8)	(47.8)
		292.9	348.8	295.1
Cash Flows From Investing Activities	Capital expenditures	**(286.2)**	(376.0)	(331.1)
	Divestiture of businesses	**123.0**	94.1	176.4
	Purchase of businesses	**(20.1)**	(29.5)	(157.1)
	Purchase of investments			(98.1)
		(183.3)	(311.4)	(409.9)
Cash Flows From Financing Activities	Increase (decrease) in short-term debt	**255.5**	(310.4)	439.2
	Reduction in long-term debt	**(266.1)**	(244.2)	(102.4)
	Minority interest		500.0	
	Long-term debt financing	**45.2**	223.1	12.8
	Dividends paid	**(170.4)**	(165.0)	(152.8)
	Issuance of stock under stock options and benefits and awards plans	**3.9**	7.2	5.3
	Acquisition of treasury stock		(1.6)	(29.4)
		(131.9)	9.1	172.7
	(Decrease) increase in cash and equivalents	**(22.3)**	46.5	57.9
	Cash and equivalents at beginning of year	**208.3**	161.8	103.9
	Cash and equivalents at end of year	**$ 186.0**	$208.3	$161.8
Supplemental Disclosures of Cash Flow Information	Interest paid	**$ 130.4**	$177.5	$170.1
	Taxes paid	**67.1**	102.6	80.8

See Notes to Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(In millions)	Common Stock	Paid-In Capital	Accumulated Translation Adjustment And Other	Retained Earnings	Treasury Stock
Balance, December 31, 1989	$ 126.2	$ 307.7	$ (59.6)	$ 1,786.6	$ (515.5)
Net income				363.6	
Cash dividends				(152.8)	
Translation adjustments			27.4		
Treasury stock purchased					(29.4)
Stock issued for preferred series B converted, exercised options and benefits and awards plans		2.7			2.6
Minimum pension liability adjustment			(17.9)		
Balance, December 31, 1990	126.2	310.4	(50.1)	1,997.4	(542.3)
Net income				294.9	
Cash dividends				(165.0)	
Translation adjustments			(19.1)		
Treasury stock purchased					(1.6)
Stock issued for preferred series B converted, exercised options and benefits and awards plans		4.5			2.7
Minimum pension liability adjustment			16.5		
Balance, December 31, 1991	126.2	314.9	(52.7)	2,127.3	(541.2)
Net loss				**(439.6)**	
Cash dividends				**(170.4)**	
Translation adjustments			**(77.0)**		
Stock issued for preferred series B converted, exercised options and benefits and awards plans		**2.3**			**1.6**
Stock purchased and retired	**(4.3)**	**(234.2)**			
Minimum pension liability adjustment			**(1.8)**		
Balance, December 31, 1992	**$121.9**	**$ 83.0**	**$(131.5)**	**$1,517.3**	**$(539.6)**

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

(Dollars in millions except per share data)

1. Summary of Significant Accounting Policies

Significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles.

Principles of Consolidation — The consolidated financial statements include the accounts of Borden, Inc. and its subsidiaries, after elimination of material intercompany accounts and transactions. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income. The carrying value of these companies approximates Borden's interest in their underlying net assets. Investments of less than 20% ownership are carried at cost.

Cash and Equivalents/Statements of Cash Flows — The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company has determined that the effect of exchange rate changes on cash flows is not material.

Inventories — Inventories are stated at the lower of cost or market. Cost is determined using the average cost and first-in, first-out methods.

Property and Equipment — Land, buildings and machinery and equipment are carried at cost.

Depreciation is recorded on the straight-line basis by charges to costs and expenses at rates based on estimated useful lives of properties (average rates for buildings 3.4%; machinery and equipment 6.9%).

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, related cost and accumulated depreciation are removed from the accounts.

Intangibles — The excess of purchase price over net tangible assets of businesses acquired is carried as intangibles in the consolidated balance sheets. It is the Company's policy to carry intangibles arising prior to November 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited. Intangibles arising after October 1970 are being amortized on a straight-line basis over not more than forty years.

Income Taxes — In 1992 the Company adopted, effective January 1, 1992, Statement of Financial Accounting Standard (SFAS) No. 109 "Accounting for Income Taxes," which requires the use of the liability method of accounting for deferred income taxes.

The provision for income taxes includes Federal, foreign, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. A substantial portion of the undistributed earnings of foreign subsidiaries has been reinvested and is not expected to be remitted to the parent company. Accordingly, no Federal income taxes have been provided on such earnings and at December 31, 1992 the cumulative amount of reinvested income was approximately \$620.0. The determination of the tax effect relating to such reinvested income is not practicable.

Pension and Retirement Savings Plans — Substantially all of the Company's employees are covered under one of the Company's pension plans or one of the union-sponsored plans to which the Company contributes. Pension expense is determined pursuant to the provisions of SFAS No. 87 "Employers' Accounting for Pensions." The Company funds pension costs in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974.

Substantially all domestic and Canadian salaried and non-bargaining hourly employees participate in the Company's retirement savings plans. The Company's cost of providing the retirement savings plans represents its matching of eligible contributions made by participating employees and is recognized as a charge to income in the year the cost is incurred.

Other Postretirement Benefit Plans — The Company provides certain health and life insurance benefits for eligible retirees and their dependents. In 1992 the Company adopted, effective January 1, 1992, SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" whereby the cost of postretirement benefits is accrued during employees' working careers. The cost of providing these benefits was previously recognized as a charge to income in the period the benefits were paid. The Company has elected to immediately recognize this obligation rather than amortize it over future periods.

Earnings Per Share — Earnings per common share are computed based on the weighted average number of common shares outstanding.

Financial Instruments — The Company uses forward exchange contracts and currency swaps to hedge certain net foreign investments, firm commitments and transactions denominated in foreign currencies. Gains and losses on forward contracts are deferred and offset against foreign exchange gains or losses on the underlying hedged item. Premiums on currency swaps which hedge net foreign investments are recorded in the accumulated translation adjustment account to offset translation adjustments.

The Company uses interest rate swaps to manage interest rate risk. The interest differentials from these swaps are recorded in interest expense.

The fair values of financial instruments are estimated based on quotes from brokers or current rates offered for instruments with similar characteristics.

Reclassification — Certain amounts in the consolidated statements of income have been reclassified for comparative purposes.

2. Foreign Affiliates

Assets and liabilities of foreign affiliates are generally translated at current exchange rates and related translation adjustments are reported as a component of shareholders' equity. For entities in highly inflationary countries, a combination of current and historical rates are used in translating assets and liabilities and related exchange adjustments are included in net income.

Realized and unrealized net foreign exchange losses aggregating $22.8, $11.6 and $26.4 were charged against net income in 1992, 1991 and 1990, respectively.

At December 31, 1992 and 1991 the Company had foreign currency contracts and swaps aggregating $531.9 and $458.8, respectively, which expire within three years. The aggregate fair value of these financial instruments at December 31, 1992 was $55.0, which represents a gain in the value of these contracts. This gain offset an equal amount of foreign currency translation losses at December 31, 1992.

3. Restructuring and Reorganization Charges

In third quarter 1992 the Company recorded a pretax restructuring charge of $642.0, $450.0 after tax, to establish a reserve to cover costs of a companywide restructuring program. The restructuring program includes projects to unify businesses, modernize and integrate product presentation, remedy problems in underperforming businesses and reduce costs.

Charges against the reserve were $267.5 and consisted primarily of write-downs to net realizable value of property and equipment to be sold or disposed, and write-offs of other related assets. Of the $374.5 reserve balance at December 31, 1992, $140.4 has been included in other long-term liabilities due to their non-current nature. Cash expenditures relating to restructuring were $50.6.

In fourth quarter 1991 the Company recorded a $71.6 charge which reduced net income by $44.0. The charge covered business reorganization costs as well as severance, relocation and other employee-related expenses.

4. Debt, Lease Obligations and Related Commitments

Debt outstanding at December 31, 1992 and 1991 is as follows:

	1992		1991	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
10⅝% Canadian Dollar Notes due 1993		**$ 44.8**	$ 55.2	
16½% Australian Dollar Notes due 1994	**$ 77.9**		94.9	
10¼% Notes due 1995			92.0	
9⅞% Notes due 1997	**78.1**		119.2	
Medium Term Notes, Series A (at an average rate of 7.7% and 7.9%, respectively)	**150.0**	**35.0**	185.0	$ 30.0
Zero-Coupon Convertible Bonds due 2002	**243.4**			
9.2% Debentures due 2021	**117.0**		190.0	
Sinking fund debentures:				
8¾% due 2016	**78.5**		90.0	
9¼% due 2019	**48.7**		81.7	
Commercial paper (at an average rate of 4.0% and 5.2%, respectively)	**400.0**		300.0	
Industrial Revenue Bonds (at an average rate of 8.7% and 8.4%, respectively)	**55.4**	**0.2**	55.6	4.7
Other (at an average rate of 9.7% and 10.0%, respectively)	**80.9**	**6.3**	82.2	19.8
Total current maturities of long-term debt		**86.3**		54.5
Short-term debt:				
Commercial paper (at an average rate of 4.0% and 5.3%, respectively)		**439.0**		160.0
Other (primarily foreign bank loans at an average rate of 9.8% and 10.9%, respectively)		**181.3**		204.8
Total debt	**$1,329.9**	**$706.6**	**$1,345.8**	**$419.3**

During 1992 the Company issued ten-year zero-coupon convertible bonds. The bonds issued had an aggregate value of $235.0 and carry an effective interest rate of 5.74%. The bonds were issued in exchange for 7 million shares of the Company's common stock which were retired. This non-cash transaction is not reflected in the consolidated statement of cash flows.

At December 31, 1992 and 1991 the Company had interest rate swap agreements covering $400.0 and $300.0, respectively, of commercial paper classified as long-term debt. These agreements, which mature from 1995 to 2000, effectively replace variable interest rates on the commercial paper with a fixed rate of 9.9% in 1992 and 9.8% in 1991. The Company had other interest rate swaps with a notional amount of $549.7 at both December 31, 1992 and 1991. The aggregate fair value of all interest rate swaps was a liability (i.e., the amount that would have to be paid to terminate all swaps) of $54.1 at December 31, 1992.

The aggregate fair value of the Company's outstanding debt was $2,120.9 at December 31, 1992.

The Company uses currency swap agreements to convert the 10⅝% Canadian Dollar Notes and the 16½% Australian Dollar Notes into a 10.8% British Sterling obligation and a 11.1% Canadian Dollar obligation, respectively. The maturities of the currency swap agreements generally match those of the underlying notes.

The Company is exposed to credit loss in the event of nonperformance by the other parties to the swap agreements. However, the Company does not anticipate nonperformance by the counterparties.

Aggregate maturities of long-term debt and minimum annual rentals under operating leases at December 31, 1992 are as follows:

	Long-Term Debt	Minimum Rentals on Operating Leases
1993	$ 86.3	$ 57.6
1994	167.1	48.8
1995	337.1	39.3
1996	151.1	32.5
1997	114.4	26.2
1998 and beyond	560.2	107.6

The average amount of short-term commercial paper outstanding was $409.0 during 1992 and $395.0 during 1991, and the average amount of other short-term debt was $193.9 during 1992 and $335.9 during 1991. The respective weighted average interest rates for short-term commercial paper and other short-term debt were 3.7% and 9.8% during 1992, and

5.8% and 10.4% during 1991. Maximum month-end borrowings were $485.0 in 1992 and $543.0 in 1991 for short-term commercial paper, and $270.8 in 1992 and $391.1 in 1991 for other short-term debt. The Company had unused credit agreements of $876.0 at December 31, 1992, of which $567.0 was in support of commercial paper borrowings and $309.0 was available for borrowing.

The Company capitalizes interest related to the cost of acquiring certain fixed assets. The total interest costs incurred and the portions capitalized were $151.1 and $3.1 in 1992, $208.2 and $9.8 in 1991 and $191.4 and $4.5 in 1990.

5. Income Taxes

In 1992 the Company adopted, effective January 1, 1992, SFAS No. 109 "Accounting for Income Taxes" which requires the use of the liability method of accounting for deferred income taxes. The cumulative effect as of January 1, 1992 of the change was a deferred tax expense of $40.0, or $.28 per share. The current year effect of the accounting change was to increase net income by $3.1, or $.02 per share.

Comparative analysis of the provisions for income taxes follows:

	1992	1991	1990
Current			
Federal	**$ 5.6**	$ 25.8	$ 63.4
State and Local	**5.9**	7.1	14.9
Foreign	**47.3**	50.1	33.0
	58.8	83.0	111.3
Deferred			
Federal	**(124.9)**	57.5	63.7
State and Local	**(14.4)**	8.1	8.7
Foreign	**(.9)**	17.4	28.3
	(140.2)	83.0	100.7
	$ (81.4)	$166.0	$212.0

The deferred tax provisions in 1992, 1991 and 1990 include $(166.8), $11.4 and $59.4, respectively, for the tax effects of costs and expenses related to the restructuring and reorganization programs which are deductible for income tax purposes in years when the assets are disposed of or expenditures incurred and which were charged against 1992 and 1991 operating results. The deferred tax provisions in 1992, 1991 and 1990 also reflect accelerated write-offs of property and equipment costs of $11.7, $15.5 and $3.6, respectively, and 1992 and 1991 pension contributions with tax effects of $6.2 and $10.4, respectively.

Reconciliations of the differences between income taxes computed at Federal statutory tax rates and consolidated provisions for income taxes are as follows:

	1992	1991	1990
Income taxes computed at Federal statutory tax rate	**$(99.3)**	$156.7	$195.7
State tax provision, net of Federal benefits	**(6.2)**	10.0	15.6
Foreign tax differentials	**1.7**	2.8	9.5
Capital loss benefit	**(17.9)**	(11.7)	(16.8)
Restructuring program, primarily write-offs of assets with reduced tax bases	**40.0**		
Other—net	**.3**	8.2	8.0
Provisions for income taxes	**$(81.4)**	$166.0	$212.0

The domestic and foreign components of (loss) income before income taxes and cumulative effect of accounting changes are as follows:

	1992	1991	1990
Domestic	**$(331.8)**	$276.1	$425.2
Foreign	**39.8**	184.8	150.4
	$(292.0)	$460.9	$575.6

The net current and non-current components of deferred income taxes recognized in the balance sheet at December 31, 1992 follows:

	1992
Net current assets	**$47.9**
Net non-current liabilities	**29.2**
Net asset	**$18.7**

The amounts above include valuation allowances of $42.9 relating to non-current tax assets for net operating loss carryforwards that are not expected to be realized.

The tax effects of the significant temporary differences which comprise the deferred tax assets and liabilities at December 31, 1992 follows:

	1992
Assets	
Postretirement benefit obligation	**$118.4**
Restructuring reserve	**182.3**
Accrued expenses and other reserves	**32.4**
Foreign property, plant and equipment	**12.8**
Other	**26.2**
Gross deferred tax assets	**372.1**
Liabilities	
Property, plant and equipment	**212.5**
Certain foreign intangibles	**23.9**
Deferred gain on sale of partnership interest	**20.5**
Pension and health plan contributions	**22.9**
Prepaid expenses and deferred charges	**50.8**
Other	**22.8**
Gross deferred tax liabilities	**353.4**
Net asset	**$ 18.7**

6. Minority Interest

In 1991 three wholly owned subsidiaries of the Company contributed $1,700.5 in assets to T.M.I. Associates, L. P., a Delaware limited partnership (the Partnership), in exchange for a 77.28% general partner interest in the Partnership. The contributed assets consisted of selected trademarks which are licensed to the Company pursuant to exclusive long-term license agreements, a long-term note guaranteed by the Company and cash. Additionally, an outside investor contributed $500.0 in cash to the Partnership in exchange for a 22.72% limited partner interest. The Partnership is a separate and distinct legal entity from the Company whose purpose is to invest in and manage a portfolio of assets. For financial reporting purposes the Partnership's assets, liabilities and earnings are consolidated with those of the Company and the limited partner's interest in the Partnership is included in the Company's financial statements as minority interest.

7. Pension and Retirement Savings Plans

For substantially all salaried employees, the Company's pension plans provide benefits generally based on compensation and credited service. For hourly employees, the plans provide benefits based on specified amounts per year of credited service.

Following are the components of the net pension expense (credit) recognized by the Company:

	1992	1991	1990
Service cost – benefits earned during the period	**$13.7**	$ 13.1	$ 15.5
Interest cost on the projected benefit obligation	**46.3**	47.4	45.9
Actual return on plan assets	**(18.9)**	(93.7)	38.2
Net amortization and deferral	**(42.6)**	33.5	(101.8)
Net periodic pension expense (credit)	**$ (1.5)**	$ .3	$ (2.2)

The weighted average rates used to determine net periodic pension expense were as follows:

	1992	1991	1990
Discount rate	**8.5%**	9.3%	8.8%
Rate of increase in future compensation levels	**5.3**	5.9	6.3
Expected long-term rate of return on plan assets	**10.1**	10.9	10.4

Most employees not covered by the Company's plans are covered by collectively bargained agreements which are generally effective for periods from one to five years. Under Federal pension law, there would be continuing liability to these pension trusts if the Company ceased all or most participation in any such trust, and under certain other specified conditions. Operations were charged $7.0, $7.6 and $8.4 in 1992, 1991 and 1990, respectively, for payments to pension trusts on behalf of employees not covered by the Company's plans.

The funded status of the plans and amounts included in the Company's balance sheets at December 31, 1992 and 1991 were as follows:

	1992		1991	
	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets
Plan assets at fair value	**$509.7**	**$ 17.6**	$574.4	$ 4.5
Actuarial present value of:				
Vested benefit obligations	**(466.2)**	**(32.6)**	(501.5)	(22.2)
Accumulated benefit obligations	**(483.0)**	**(35.6)**	(521.9)	(27.5)
Projected benefit obligations	**(506.0)**	**(40.3)**	(549.2)	(34.0)
Plan assets greater (less) than projected benefit obligation	**3.7**	**(22.7)**	25.2	(29.5)
Unrecognized prior service (benefit) cost	**(13.3)**	**1.4**	(14.4)	.8
Unrecognized loss	**121.8**	**7.9**	87.6	5.3
Unrecognized net transition (asset) obligation	**(19.1)**	**1.6**	(24.7)	5.6
Minimum liability adjustment		**(8.0)**		(7.3)
Net pension asset (liability)	**$ 93.1**	**$(19.8)**	$ 73.7	$(25.1)

The weighted average discount rates and rates of increase in future compensation levels used in determining the projected benefit obligation were 8.8% and 5.4%, respectively, as of December 31, 1992, and 8.5% and 5.3%, respectively, as of December 31, 1991.

Plan assets consist primarily of equity securities and corporate obligations. Common stock of the Company accounted for approximately 10% and 11% of the total market value of plan assets at December 31, 1992 and 1991, respectively.

Charges to operations for matching contributions under the Company's retirement savings plans in 1992, 1991 and 1990 amounted to $20.6, $21.6 and $19.4, respectively. Eligi-

ble salaried and hourly non-bargaining employees may contribute up to 5% of their pay (7% for certain longer service salaried employees), which is matched 100% by the Company.

8. Other Postretirement Benefits

The Company provides certain health and life insurance benefits for eligible domestic retirees and their dependents. In 1992 the Company adopted, effective January 1, 1992, SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" whereby the cost of postretirement benefits is accrued during employees' working careers. The Company has elected to immediately recognize this obligation rather than amortize it over future periods. The cost of providing these benefits was previously recognized as a charge to income in the period the benefits were paid.

The cumulative effect of the change as of January 1, 1992 was to decrease net income by $189.0, or $1.32 per share, after deferred tax benefit of $111.0. The current year effect of the accounting change was to reduce net income by $11.2, or $.08 per share.

Participants who are not eligible for Medicare are provided with the same basic medical benefits as active employees, while those who are eligible for Medicare are provided with supplemental benefits to Medicare. The postretirement medical benefit is contributory for retirements after 1983; the postretirement life insurance benefit is noncontributory.

The components of net postretirement benefit expense for the year ended December 31, 1992 follow:

Service cost	$ 7.3
Interest cost	23.8
Net postretirement benefit expense	$ 31.1

The status of the Company's unfunded postretirement benefit obligation at December 31, 1992 follows:

Actuarial present value of accumulated postretirement benefit obligation:	
Retirees	$193.6
Fully eligible active plan participants	43.4
Other active plan participants	71.2
	308.2
Unrecognized prior service cost	4.3
Unrecognized gain	5.2
Accrued postretirement benefit liability	$317.7

The weighted average discount rate used in determining the accumulated postretirement benefit obligation at December 31, 1992 was 8.5%.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation at December 31, 1992 was 15.0% for 1993, gradually declining to 6.5% in 2008 and thereafter. A one-percentage point increase in the health care cost trend rate would increase the accumulated postretirement benefit obligation as of December 31, 1992 by $35.5 and the sum of the service and interest costs in 1992 by $4.5.

The health and life insurance benefits expense for retired employees on a pay-as-you-go basis was $14.4 and $12.2 in 1991 and 1990, respectively.

9. Shareholders' Equity

The Company has authorized 10,000,000 shares of no-par preferred series B stock. At December 31, 1992 and 1991 7,324 and 7,496 shares, respectively were issued and outstanding. Each share of the preferred series B stock has an involuntary liquidating value of $28.88, bears an annual cumulative dividend of $1.32, is convertible into 6.6 common shares, and is redeemable at the Company's option at $39. At December 31, 1992 48,338 common shares were reserved for conversion of preferred series B stock.

Under a Preferred Share Purchase Rights Plan, each outstanding share of common stock has one preferred stock purchase right (Right) which entitles shareholders to purchase, under certain circumstances, one one-hundredth of a share of Series C Junior Participating Preferred Stock at an exercise price of $175, subject to adjustment. The Rights may only be exercised if a person or group acquires 20% or more of the Company's common stock or announces a tender or exchange offer for 20% or more of the common stock. In the event the Company is involved in a merger or other business combination transaction in which the Company does not survive or in which its common stock is exchanged, each holder of a Right will be entitled to purchase, at the exercise price, that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the exercise price of the Right.

Following is an analysis of common shares reserved for stock options under the Company's 1974 and 1984 Stock Option Plans as Amended:

	Shares	Price Range
At December 31, 1989	3,362,194	$ 4.23-36.06
Grants	581,500	31.56
Exercises	(235,923)	4.23-29.25
Expirations and cancellations	(47,912)	26.81-36.06
At December 31, 1990	3,659,859	$ 4.23-36.06
Grants	898,650	32.06
Exercises	(226,155)	4.78-36.06
Expirations and cancellations	(35,890)	8.22-36.06
At December 31, 1991	4,296,464	$ 4.78-36.06
Grants	**603,325**	**27.31-33.38**
Exercises	**(133,636)**	**4.78-31.56**
Expirations and cancellations	**(257,050)**	**26.81-36.06**
At December 31, 1992	**4,509,103**	**$ 8.22-36.06**

At December 31, 1992 3,913,128 options were exercisable. The Company's 1984 Stock Option Plan as Amended provides for the grant of options to purchase up to 9,700,000 shares of the Company's common stock. The Plan expires in 1993 and no further options may be granted thereafter. At December 31, 1992 there were 2,730,347 shares available for future grants.

10. Acquisitions and Divestitures

During 1992 the Company acquired a bakery operation, a foodservice operation, a foundry resin operation and a rigid plastics operation for a total cost of $20.1. During 1991 the Company acquired a clam products operation, two bakery operations and a pasta operation, for a total cost of $29.5. During 1990 the Company acquired 10 operations for a total cost of $157.1. The 1990 acquisitions include two pasta and pasta sauce operations, one snacks operation, two flexible packaging operations, two forest products operations, a decorative laminate manufacturer, a dairy operation and a joint venture interest in a glue operation.

During 1992 the Company disposed of four operations for $123.0 in cash; during 1991 the Company disposed of one operation for $94.1 in cash; and during 1990 the Company disposed of three operations and four dairy plants for $176.4 in cash.

11. Commitments

In connection with the 1987 sale of its basic chemicals and PVC resins business to Borden Chemicals and Plastics Limited Partnership (BCP), the Company agreed, subject to certain limitations, to provide additional cash to BCP, if necessary, to support the payment by BCP of its minimum quarterly distribution on all preference units through December 31, 1992. In connection with the 1988 sale of all common units, the Company also agreed to make direct payments to common unitholders equal to, on a per unit basis, any excess of cash distributed by BCP to preference unitholders over that distributed to common unitholders. BCP has met all minimum distributions through the term of the support agreement and the agreement is expected to expire with the fourth quarter 1992 distribution scheduled to be paid on February 12, 1993. A wholly owned subsidiary of the Company, as general partner, continues to manage and control the activities of BCP and has fiduciary responsibilities to BCP's unitholders. The management of the Company believes that such fiduciary responsibilities will not have a material adverse effect on the financial condition of the Company.

12. Operations by Industry Segment

Information about the Company's industry segments and geographic areas of operation is provided on pages 22-24 of this Annual Report and is an integral part of the consolidated financial statements.

13. Supplemental Income Statement Information

Set forth below is a comparative summary of certain expense items:

	1992	1991	1990
Maintenance and repairs	**$134.4**	$134.1	$148.3
Depreciation and amortization (including amortization of $47.1, $48.1 and $35.4, respectively)	**227.6**	216.9	197.3
Advertising and promotions (including promotions of $519.6, $468.0 and $406.3, respectively)	**686.7**	603.3	520.2
Research and development	**30.8**	30.3	31.1
Rent	**82.3**	86.2	80.0

14. Quarterly Financial Data (Unaudited)

1992 Quarters	First**	Second	Third	Fourth
Net sales	**$1,698.4**	**$1,763.4**	**$1,856.2**	**$1,824.6**
Gross profit	**481.4**	**511.1**	**556.9**	**535.9**
Net income (loss)	**(170.5)**	**79.3**	**(376.8)**	**28.4**
Per share of common stock:				
Earnings (loss)	**(1.15)**	**.55**	**(2.68)**	**.20**
Dividends*	**0.285**	**0.300**	**0.300**	**0.300**
Market price range:				
Low	**31⅜**	**29½**	**26¼**	**26¼**
High	**34⅞**	**34¾**	**31⅛**	**29½**

1991 Quarters	First	Second	Third	Fourth
Net sales	$1,720.8	$1,803.0	$1,865.7	$1,845.6
Gross profit	489.9	533.7	575.1	565.6
Net income	63.3	89.7	98.8	43.1
Per share of common stock:				
Earnings	0.43	0.61	0.67	0.29
Dividends*	0.265	0.285	0.285	0.285
Market price range:				
Low	27½	33½	31¾	29⅛
High	36½	38¾	37⅞	34¼

Dividends on preferred series B stock were $.33 in each quarter during 1992 and 1991.

***First quarter 1992 income before cumulative effect of accounting changes was $58.5, or $.40 per share.*

The 1992 quarterly earnings per share amounts do not add to the annual amount of $(3.07). This is the result of differences in average shares outstanding between the quarterly and annual calculations caused by the share repurchase discussed in Note 4. First and second quarter results have been restated to reflect the adoption of new accounting standards.

Report of Management

The management of Borden, Inc. is responsible for the preparation of all information, including the financial statements and related notes, included in this Annual Report to Shareholders. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and include amounts based on the best judgment of management. Financial information included elsewhere in this Annual Report is consistent with these financial statements.

In recognition of its responsibility for the integrity and objectivity of data in the financial statements, management maintains a system of internal accounting controls. This system includes an organizational structure with clearly defined lines of responsibility and delegation of authority. To assure the effective administration of internal controls, employees are carefully selected and trained, written policies and procedures are developed and disseminated, and appropriate communication channels are provided to foster an environment conducive to the effective functioning of controls.

The system is supported by an internal auditing function that operates worldwide and reports its findings to management throughout the year. The Company's independent accountants are engaged to express an opinion on the year-end financial statements. They objectively and independently review the performance of management in carrying out its responsibility for reporting operating results and financial condition. With the coordinated support of the internal auditors, they review and test the system of internal accounting controls and the data contained in the financial statements.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets regularly with independent accountants, management and internal auditors to review the work performed and to ensure that each is properly discharging its responsibilities. The independent accountants and the internal auditors independently have full and free access to the Committee, without the presence of management, to discuss the results of their examinations, the adequacy of internal accounting controls and the quality of financial reporting.

A. S. D'Amato

A. S. D'Amato
Chairman and
Chief Executive
Officer

L. O. Doza

L. O. Doza
Senior Vice President
and Chief Financial
Officer

Report of Independent Accountants

Price Waterhouse

Price Waterhouse
The Huntington Center
41 South High Street
Columbus, OH 43215

January 26, 1993

Board of Directors and
Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Borden, Inc. and its subsidiaries at December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 5 and Note 8 to the consolidated financial statements, in 1992 the Company changed its method of accounting for income taxes to conform with Statement of Financial Accounting Standards No. 109 and for postretirement benefits other than pensions to conform with Statement of Financial Accounting Standards No. 106.

Price Waterhouse

Officers

Office of the Chairman

A. S. D'AMATO
Chairman and Chief Executive Officer

JON G. HETTINGER
Executive Vice President
President,
Grocery Products Division

JOSEPH M. SAGGESE
Executive Vice President
President,
Packaging and Industrial Products Division
Domestic and International

GEORGE J. WAYDO
Executive Vice President
President,
Snacks and International Consumer Products Division

Corporate Senior Vice Presidents

LAWRENCE O. DOZA
Chief Financial Officer

ALLAN L. MILLER
Chief Administrative Officer

Operating Executives

Grocery Products Division

MITCHELL WIENICK
Senior Group Vice President
Dairy Products

JOHN F. DIX
Group Vice President
Grocery Products

RONALD C. KESSELMAN
Group Vice President
Foodservice and Seafood Products

North American Pasta Products

LEE N. ARST
Group Vice President
North American Pasta Products

Packaging and Industrial Products Division Domestic and International

SUMNER S. FEINSTEIN
Group Vice President
Worldwide Wallcoverings

JEROLD J. GOLNER
Group Vice President
North American Plastic Operations

ROBERT G. JENKINS
Group Vice President
Worldwide Resins

Snacks and International Consumer Products Division

DAN O'RIORDAN
Senior Group Vice President
International

PETER J. CLINE
Group Vice President
North American Snacks

PETER M. DUGGAN
Group Vice President
Eastern Snacks

OLE NORGAARD
Group Vice President
Dairy International

Corporate Vice Presidents

JUDY BARKER
Social Responsibility
President, The Borden Foundation

W. BAILEY BARTON
Health, Safety and Environment

JAMES M. HESS
General Controller

KAREN L. JOHNSON
Consumer Affairs

DAVID A. KELLY
Treasurer

PHILIP J. KEUPER
Public Affairs

WALTER W. KOCHER
General Counsel

DEMETRIOS D. LAPPAS
Chief Information Officer

FRANCIS J. PROTO
General Auditor

EUGENE N. SKIEST
Science and Technology

CHARLES N. TIMPERMAN
Corporate Development

FRANK H. VOIGT
Employee Relations

Staff Departments

PAUL J. JOSENHANS
Secretary and Associate General Counsel

ELLEN GERMAN BERNDT
Assistant Secretary

H. CORT DOUGHTY, JR.
Assistant Secretary

RICHARD H. BYRD
Assistant Treasurer

STEVEN C. DOVE
Assistant Treasurer

TERRENCE W. GASPER
Assistant Treasurer

GEORGE W. SANBORN
Assistant Treasurer

THOMAS V. BARR
Assistant General Controller

EDMUND M. KONOPKA
Assistant General Controller

RICHARD W. PENNELL
Assistant General Controller

NANCY G. BROWN
Assistant General Counsel

LAWRENCE L. DIEKER
Assistant General Counsel

JAMES A. KING, JR.
Assistant General Counsel

RONALD P. MORAN
Assistant General Counsel

Directors

from left to right

FREDERICK E. HENNIG
President and Chief Operating Officer, Woolworth Corporation (retail merchandising)

A. S. D'AMATO
Chairman and Chief Executive Officer

PATRICIA CARRY STEWART
Former Vice President, The Edna McConnell Clark Foundation (charitable foundation)

H. BARCLAY MORLEY
Former Chairman and Chief Executive Officer, Stauffer Chemical Company

FRANK J. TASCO
Former Chairman of the Board and Chief Executive Officer, Marsh & McLennan Companies, Inc. (insurance brokerage, consulting and investment services)

from left to right

WILBERT J. LEMELLE
President, Phelps-Stokes Fund (educational foundation)

R. J. VENTRES
Chairman of the Executive Committee and Former Chairman and Chief Executive Officer

THEODORE COOPER, M.D.
Chairman of the Board and Chief Executive Officer, The Upjohn Company (pharmaceuticals)

ROBERT P. LUCIANO
Chairman and Chief Executive Officer, Schering-Plough Corporation (pharmaceuticals/consumer products)

Changes in Officers and Directors

VIRGINIA DWYER, former senior vice president, finance, for the American Telephone and Telegraph Company, retired as a director in April 1992 after 11 years of service.

DEMETRIOS D. LAPPAS joined Borden in September 1992 as vice president and chief information officer. He was previously vice president, information services, for the Nabisco Foods Group of RJR Nabisco.

FRANCIS J. PROTO was elected vice president and general auditor, effective March 1992. He joined Borden in 1974 and has held increasingly responsible positions in finance, administration and information resources.

CHARLES N. TIMPERMAN was elected vice president, corporate development, effective March 1992. He has held increasingly responsible positions in finance and administration since joining Borden in 1970.

Five Year Selected Financial Data

(All dollar and share amounts in millions—except per share data)

For the Years	1992	1991	1990	1989	1988
Summary of Earnings					
Net sales	**$7,142.6**	$7,235.1	$7,632.8	$7,653.3	$7,304.4
Net (loss) income	**(439.6)**	294.9	363.6	(60.6)	311.9
Percent of net income to sales	*	4.1%	4.8%	*	4.3%
Net (loss) income per common share	**$ (3.07)**	$ 2.00	$ 2.46	$ (0.41)	$ 2.11
Dividends:					
Common share	**$ 1.185**	$ 1.12	$ 1.035	$ 0.90	$ 0.745
Preferred series B share	**1.32**	1.32	1.32	1.32	1.32
Average number of common shares outstanding during the year	**143.4**	147.6	147.9	148.2	147.8
Financial Statistics					
Capital expenditures	**$ 286.2**	$ 376.0	$ 331.1	$ 244.0	$ 232.6
Inventories	**641.1**	655.4	665.5	664.0	654.9
Property, plant and equipment, net	**1,811.4**	1,903.7	1,706.8	1,441.5	1,387.9
Depreciation and amortization	**227.6**	216.9	197.3	186.0	172.9
Total assets	**5,321.4**	5,481.3	5,284.3	4,824.9	4,440.3
Current assets	**1,979.6**	1,941.2	2,026.1	2,011.4	1,814.3
Current liabilities	**1,905.7**	1,433.7	1,847.0	1,539.4	1,222.6
Working capital	**73.9**	507.5	179.1	472.0	591.7
Current ratio	**1.0:1**	1.4:1	1.1:1	1.3:1	1.5:1
Long-term debt	**$1,329.9**	$1,345.8	$1,339.8	$1,440.6	$1,160.1
Total debt to adjusted total capitalization	**56%**	41%	53%	51%	43%
Shareholders' equity	**$1,051.1**	$1,974.5	$1,841.6	$1,645.4	$1,848.6
Liquidating value of preferred stock	**(.2)**	(.2)	(.2)	(.2)	(.3)
Common shareholders' equity	**1,050.9**	1,974.3	1,841.4	1,645.2	1,848.3
Equity per common share at year-end	**7.47**	13.39	12.50	11.12	12.50
Return on average shareholders' equity	*	15.5%	20.9%	*	17.8%
Ratio of earnings to fixed charges	*	2.9:1	3.6:1	1.0:1	4.1:1
Shareholders' Data					
Outstanding common shares at year-end	**140.6**	147.5	147.3	148.0	147.8
Market price of common stock:					
At year end	**$ 28⅝**	$ 32⅝	$ 29⅞	$ 34⅜	$ 29⅝
Range during year	**34⅞-26¼**	38¾-27½	37⅞-27	38⅝-27¾	30⅝-23⅝
Number of common shareholders	**38,953**	39,234	39,010	39,098	38,465
Employee Data					
Payroll	**$1,110.2**	$1,133.6	$1,135.5	$1,070.2	$1,077.8
Average number of employees	**41,900**	44,400	46,300	46,500	45,400

**Not meaningful because of net loss*

Principal Borden Products by Brand

Pasta and Sauce

Classico pasta sauce

Creamette

Silver Award

Albadoro

Fiberoni high fiber

Superoni protein fortified

REGIONAL:

Anthony's (Southern California, Arizona and Nevada)

Aunt Millie's spaghetti sauce (Northeast)

Bravo (New York)

Dutch Maid (Northeast and North Central)

Gioia pasta and sauce (Upstate New York and Pennsylvania)

Globe A-1 (California)

Goodman's (Northeast and Miami)

Luxury (Gulf Coast)

Merlino's (Pacific Northwest)

Mrs. Grass (Chicago)

New Mill (Midwest)

Pennsylvania Dutch (East, North Central and California)

Prince pasta and sauce (Northeast and North Central)

R•F (Midwest, Southwest and Colorado)

Red Cross (Midwest and Tennessee)

Ronco pasta and sauce (Southeast and Mid-South)

Vimco (Pennsylvania and Ohio)

Winsom (Midwest)

PUERTO RICO:

Criada pasta sauce

INTERNATIONAL:

Brazil – **Adria**, **Italianissimo**, **OA**, **Paty**, **Raineri**, **Soltinho** and **Romanini**

Canada – **Catelli** pasta and sauce, **Catelli Healthy Harvest** pasta and sauce, **Classico** pasta sauce, **Creamette**, **Lancia** pasta and sauce, **Romi**, **Splendor**, **Gattuso** pasta and pasta/pizza sauce, **Golden Wheat** and **Bravo** sauce

Italy – **Albadoro** and **Monder**

Panama – **Imperial Roma**, **Napoli**

Snacks

Borden potato chips, pretzels, onion rings and snack mix

Cheez Doodles and **Doodle O's** corn puffs

Cottage Fries potato chips

Graingers multigrain snacks

Krunchers! potato chips

La Famous tortilla chips, dips and salsa

Ridgies rippled potato chips

Snack Time! single-serve snacks

Wise popcorn

REGIONAL:

Cain's, **Chesty**, **Kitty Clover** and **KAS** potato chips and other snacks (Midwest)

Clover Club potato chips and other snacks (Mountain and Western)

Geiser's potato chips (Wisconsin)

Guy's potato chips and other snacks (Midwest)

Jays potato chips and other snacks and **O-ke-doke** cheese-flavored popcorn (Great Lakes)

Laura Scudder's potato chips, nuts and other snacks (California, Arizona and Nevada)

Moore's potato chips and other snacks (Mid-Atlantic and South)

New York Deli potato chips (East Coast)

Quinlan pretzels (East Coast)

Red Seal potato chips, **El Dorado** corn and tortilla chips and **Barrel 'O Fun** snack products (Mountain)

Seyfert's potato chips and other snacks (Indiana and Michigan)

Wise potato chips and other snacks and **Dipsy Doodles** rippled corn chips (East Coast)

PUERTO RICO:

Filler potato chips and other snacks

INTERNATIONAL:

Canada – **Humpty Dumpty** potato chips and other snacks

Ecuador – **Crecs** potato chips and **K-Chitos** corn puffs and other snacks

Germany – **Weber**, **Jaus**, **Nur Hier**, **Nuschelberg**, **Stefansback**, **Wriedeler**, **Lecker Backer**, **Golden Toast** and **Kamps** sweet baked snacks and specialty breads

Hungary – **Prima Pek** sweet baked snacks and specialty breads

Malaysia – **Wise** potato chips and other snacks

Niche Grocery

American Original clam products

Bennett's sauces

Blue Surf clam products

Borden egg nog

Borden, **Serv**, **Americana**, **Chatsworth** and **Pitch 'R Pak** individual portion control and bulk foodservice products

Borden process cheese products – regular, light and fat free, **Lite-line** cheese products and **CheezTwo** process cheese substitute

Campfire marshmallows

Cary's maple syrup

Coco Lopez cream of coconut and fruit drink mixes

Cracker Jack caramel and butter-toffee coated popcorn and peanuts

Cremora and **Cremora Lite** non-dairy creamer

Doxsee chowders and clam products

Eagle Brand sweetened condensed milk

Fisher cheese substitute products, **Sandwich-Mate** slices and **Ched-O-Mate**, **Pizza-Mate**, **Salad-Mate** and **Taco-Mate** shredded products

Harris canned crabmeat and specialty soup products

Hilton's oyster stew and chowders

Kava acid reduced instant coffee

MacDonald's maple syrup

Maple Orchards maple syrup

MBT broth

Meadow Gold sweetened condensed milk

Mrs. Grass soup and dip mixes

None Such mincemeat

Ocean Fresh pasteurized crabmeat

Orleans and **DeJean's** canned seafood products

ReaLemon lemon juice from concentrate and 100% pure refrigerated lemon juice

ReaLime lime juice from concentrate

Saltesea clam products

Snow's chowders and clam products

Soup Starter, **Stew Starter** and **Minestrone Starter** dry soup mixes

Steero bouillon and broth products

Wyler's bouillon

REGIONAL:

Bama jams, jellies, preserves, peanut butter and mayonnaise and **Lite & Fruity** low calorie fruit spreads (Southeast and Southwest)

Borden, **Gregg's** and **Re-Mi** foodservice mayonnaise, salad dressings and soup bases (Midwest, Southwest and West Coast)

Country Store instant mashed potatoes (Midwest and Southwest)

Cutcher canned seafood products (Wisconsin and Utah)

Dime Brand sweetened condensed milk (Southwest)

Laura Scudder's natural peanut butter (Mountain, Western and Texas)

Magnolia Brand sweetened condensed milk (New York and Miami)

Sippin Pak aseptic fruit drinks (Southeast and Southwest)

Star Brand sweetened condensed milk (New York)

PUERTO RICO:

Borden cheeses

Coco Lopez cream of coconut and fruit drink mixes

La Famosa juices and nectars

INTERNATIONAL:

Belgium – **ReaLemon** lemon juice from concentrate, **Hemo** chocolate drink, **Lemaitre** chocolate truffles and **Vrancaert** truffles

Canada – **Eagle Brand** sweetened condensed milk, **Cracker Jack** caramel popcorn, **ReaLemon** lemon juice from concentrate, **Snow's** chowders, canned seafood and sauces and **Milk Mate** milk flavorings

Colombia – **Cremora** non-dairy creamer

Denmark – **Cocio** and **Congo** bottled chocolate milk, **Chocola** chocolate drink and **Chocolet** lowfat chocolate milk

Japan – **Borden** cheeses

Spain – **Gallina Blanca** dry soup mixes, **Hoy Menu** side dishes and **Avecrem** bouillon (exported to Middle East and Africa as **Jumbo** dry soup mixes and bouillon), **Salsas ala Carta** instant sauce and **Sopas Hechas** aseptic soups

Sweden and Norway – **Cocio** bottled chocolate milk

Dairy

Borden whole, lowfat, skim and chocolate milks and buttermilk, cottage cheese, sour cream, whipping cream and other creams, egg nog, orange juice and fruit drinks; **Hi-Protein** lowfat milk; **Light** sugar-free chocolate lowfat milk and nonfat yogurt; **Lite-line** protein-fortified skim milk, cottage cheese, sour cream and yogurt; and **Thirstee Smash** fruit drinks

Borden ice cream and frozen novelty bars, sandwiches and pops, frozen yogurt and yogurt pops; **Eagle Brand** ice cream; **Fat Free** frozen desserts; **Lady Borden** ice cream; **Light** ice milk; and **Frostick**, **Mississippi Mud** and **Juice Stix** frozen novelties

Meadow Gold whole, lowfat, skim and chocolate milks and buttermilk, cottage cheese, sour cream, whipping cream and other creams, egg nog, orange juice and fruit drinks; **Viva** lowfat milks, protein-fortified skim milk, cottage cheese, sour cream and yogurt, sugar-free chocolate lowfat milk, nonfat yogurt and cottage cheese; and **Mountain High** yogurt

Meadow Gold ice cream and frozen novelty bars, sandwiches and pops, frozen yogurt and yogurt pops; **Fat Free** frozen desserts; **Light** ice milk; and **Viva** sugar-free frozen novelties

REGIONAL:

KLIM whole milk powder (New York)

PUERTO RICO:

Nevada and **Carnaval** ice cream

INTERNATIONAL:

Worldwide export – **KLIM** whole, **KLIM Lite-line** lowfat and **KLIM Superkid** milk powders

Bahamas and Costa Rica – Milk, ice cream and other dairy products

Colombia – **KLIM** and **El Rodeo** whole and skim milk powders and **Borden** cheeses

Japan – **Lady Borden Classic** and **Lady Borden Home Made** ice cream

Panama – **KLIM** whole milk powder and **Borden** ice cream, frozen yogurt, cheeses, juices and nectars

Non-Food Consumer

Wallcoverings – **Birge**, **Borden Home Wallcoverings**, **Borderlines**, **Borges**, **Crown**, **Fashion House**, **Foremost**, **Guard**, **James Seeman Studios**, **Mitchell Designs**, **Satinesque**, **ShandKydd**, **Storeys**, **Sun-Tex**, **Sunwall 54**, **Sunwall 27**, **Sunworthy**, **Trillium** and **Wall-Tex**

Elmer's household, carpenter's and specialty glues, cements, building adhesives, caulking compounds, sealants and wood fillers, **Fill 'N Finish** wood filler, **GluColors** decorative glues, **Slide-All** lubricant, **Squeez N Caulk** caulks, **Stix-All** adhesive and **Wonder Bond** adhesive

Krazy Glue instant glues and **Aron Alpha** industrial adhesives

Accent, **Country Colors** and **Hobby Craft** artist/craft brush-on paints

INTERNATIONAL:

Argentina – **Cascola**, **Cascamite** and **Casco 1002PVA** glues, **Cascotac** contact cement, **Rolofreeze**, **Rolopac**, **Rolopaper** and **Rolumino** household wraps and **Prontoflame** fire starter

Brazil – **Adezite** sealant putty and specialty vinyl tapes, **Cascola**, **Cascolar**, **Cascofix**, **Cascamite**, **Cascorez**, **Cascophen** and **Cola Madeira** glues, **Cascor** vinyl and acrylic paints, **Cascolax** floor coatings, **Durepoxi** epoxy putty, **Flexite** silicone sealant, **Rolopac** film and **Wonder Bond Plus** instant glues

Canada – **Sunworthy** wallcoverings, **Elmer's** glues and other products and **Krazy Glue** instant glues

Colombia – **EGA** glues and adhesives, **Rally** car care products, **Al Greco** paints and coatings, **Chinola** shoe and leather care products, **Efro**, **Alpino** and **Relussiente** floor waxes and cleaners, **Durepoxi** epoxy putty and **Chris** air freshener

Ecuador – **Elmer's**, **Blancola**, **Cascotack**, **EGA**, **Parcola** and **Economicola** glues and adhesives, **Turbo Rally** car care products, **Rolopac**, **Rolopaper**, **Rolominio** and **Rolofreeze** household wraps, **Roloshoe** leather care products, **Poliflex**, **American Wax** and **Poligloss** household waxes, **Clean-All** floor cleaners and **Durepoxi** and **Rally** epoxy putties

France – **Heller** plastic model kits

Germany – **Borges** wallcoverings

Philippines – **Elmer's** glues and adhesives

United Kingdom – **Crown** and **Storeys** wallcoverings, **Humbrol** paints and adhesives and **Airfix** model kits

Uruguay – **Cascola** and **Cascolax** glues, **Cascola** contact cement and **Rolopac** household wrap

Films and Adhesives

ALpHASET, **Betaset** and other foundry resins and refractory coatings

Astromel, **Astrolube**, **Acat** and other melamine resins and saturating products

Casco, **Cascophen**, **Cascoset** and other forest products adhesives

Cascamid, **Cascolok**, **Cascote** and other wet strength paper resins

CILC N KOTE and **Hydrosperse** printing inks

LUV and other industrial coatings and resins

Loadmaster, **Resinex** and **Resinite** palletwrap films

Ovenex food trays

Proponite and **OPPtimum** packaging films

Resinite and **Sealwrap** foodwrap films

INTERNATIONAL:

Film products – Belgium, France, Germany, Italy, Netherlands, Spain and United Kingdom; Canada; Argentina, Brazil and Ecuador; Australia, Japan, New Zealand and Taiwan

Forest products adhesives – France, Spain and United Kingdom; Canada; Argentina, Brazil, Colombia, Ecuador and Uruguay; Australia, Malaysia and Philippines

Foundry resins – France, Spain and United Kingdom; Argentina, Brazil and Colombia; Australia, Japan, Malaysia and Philippines

Rigid plastic packaging – France, Italy, Netherlands and United Kingdom

Specialty adhesives – France and United Kingdom; Brazil; Australia, Malaysia and Philippines

Corporate Information

Executive Offices
Borden, Inc.
277 Park Avenue
New York, New York 10172-0129
Telephone (212) 573-4000

Administrative Headquarters
180 East Broad Street
Columbus, Ohio 43215-3799
Telephone (614) 225-4000

Annual Meeting
The Annual Meeting will be held on Friday, April 23, 1993, beginning at 11:00 a.m. in the Hunterdon Theatre, Church Street and Route 31, Flemington, New Jersey 08822

Independent Accountants
Price Waterhouse
41 S. High Street
Columbus, Ohio 43215-3421

Transfer Agent, Registrar & Dividend Disbursing Agent
The Bank of New York
P.O. Box 11258
Church Street Station
New York, New York 10286-1258
Telephone 1-(800) 524-4458

Debenture and Note Trustees
8⅜% Sinking Fund Debentures
The First National Bank of Chicago
Chicago, Illinois 60670

9.2% Debentures
9¼% Sinking Fund Debentures
9⅞% Notes
Medium-Term Notes, Series A
The Bank of New York
New York, New York 10286

10⅝% Canadian Dollar Notes
Banque International á
Luxembourg S.A.
L-2953 Luxembourg

Exchange Listings
Common Stock (Ticker Symbol-BN)
New York Stock Exchange
The Common Stock is currently listed on exchanges in Tokyo, Japan; and Basel, Geneva, Lausanne and Zurich, Switzerland.

New York Stock Exchange
8⅜% Sinking Fund Debentures, due 2016

Luxembourg Stock Exchange
10⅝% Canadian Dollar Notes, due 1993

Japanese Shareholder Service Organization & Paying Bank
The Yasuda Trust & Banking Co., Ltd.
Stock Transfer Agency Department
1-17-7, Saga, Koto-ku,
Tokyo, Japan

Date and State of Incorporation
April 24, 1899 - New Jersey

Dividend Reinvestment Plan
A dividend reinvestment plan is available to Borden shareholders. Quarterly common stock dividends may be automatically reinvested in Borden common stock, and optional cash investments may be made for the purchase of additional shares. No service fees or commissions are assessed for shares purchased under this program.

For more information, write to:
The Bank of New York
P.O. Box 11260
Church Street Station
New York, New York 10286-1260
Telephone 1-(800) 524-4458

Form 10-K Report
Borden, Inc. will furnish to any shareholder, without charge, a copy of its most recent annual report on Form 10-K, as filed with the United States Securities and Exchange Commission.

Written requests should be directed to:
Borden, Inc.
Investor Relations
277 Park Avenue
New York, New York 10172-0129

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BORDEN

IF IT'S BORDEN-IT'S GOT TO BE GOOD

BORDEN, INC.
277 Park Avenue
New York, N.Y. 10172